

LB FINANCE PLC

PUBLICATION OF FINANCIAL STATEMENTS AS PER CENTRAL BANK GUIDELINES NO.02 OF 2006



Key Financial Data for the Period Ended 31 March (Audited) In Rupees Million	Company		Group	
	Current Period	Previous Period	Current Period	Previous Period
	From 01.04.2021 to 31.03.2022	From 01.04.2020 to 31.03.2021	From 01.04.2021 to 31.03.2022	From 01.04.2020 to 31.03.2021
Interest Income	27,511	27,458	27,506	27,611
Interest Expenses	(8,847)	(11,523)	(8,863)	(11,543)
Net Interest Income	18,664	15,935	18,643	16,068
Other Income	2,647	2,302	2,649	2,313
Gains/(Losses) from Trading Activities	2	6	2	6
Operating Expenses (Excluding Impairment)	(6,240)	(5,576)	(6,325)	(5,662)
Impairment	(1,026)	(1,692)	(1,112)	(1,728)
Profit/(Loss) before Tax	14,047	10,975	13,857	10,997
Taxes	(5,385)	(4,173)	(5,381)	(4,190)
Profit/(Loss) after Tax	8,662	6,802	8,476	6,807

Key Financial Data as at 31 March (Audited)	Company		Group	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.(Mn)	Rs.(Mn)	Rs.(Mn)	Rs.(Mn)
Assets				
Cash and Bank Balance	14,459	6,187	14,634	6,381
Due from Related Parties	53	57	53	35
Loans (Excluding Due from Related Parties)	134,343	114,103	135,485	114,791
Investments in Equity	1,020	610	99	89
Term Placements with Banks and other Institutions	5,136	10,041	5,136	10,041
Property, Plant and Equipment	8,437	8,267	8,580	8,287
Investment Properties	-	-	71	-
Other Assets	917	1,311	1,020	1,319
Total Assets	164,365	140,576	165,078	140,943
Liabilities				
Due to Banks	26,859	16,467	26,862	16,527
Deposits from Customers	89,144	85,860	89,479	85,940
Other Borrowings	8,565	3,114	8,565	3,114
Other Liabilities	6,750	6,946	6,835	6,975
Total Liabilities	131,318	112,387	131,741	112,556
Equity				
Stated Capital	838	838	838	838
Statutory Reserve Fund	8,117	7,684	8,117	7,684
Retained Earnings	24,170	19,755	24,086	19,802
Other Reserves	(78)	(88)	190	63
Total Equity Attributable to Equity Holders of the Company	33,047	28,189	33,231	28,387
Non-Controlling Interest	-	-	106	-
Total Equity	33,047	28,189	33,337	28,387
Total Liabilities and Equity	164,365	140,576	165,078	140,943
Net Assets Value per Share (Rs.)	59.65	50.88	59.98	51.24

Selected Key Performance Indicators	Company			
	As at 31.03.2022		As at 31.03.2021	
	Required	Actual	Required	Actual
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	8.00%	25.95%	7.00%	23.87%
Total Capital Adequacy Ratio	12.00%	26.90%	11.00%	25.32%
Capital Funds to Deposit Liabilities Ratio	10.00%	37.07%	10.00%	32.83%
Quality of Loan Portfolio (%)				
Gross Non-Performing Loans Ratio		4.44%		5.36%
Net Non-Performing Loans Ratio		-0.80%		0.10%
Net Non-Performing Loans to Core Capital Ratio		-0.03%		0.45%
Provision Coverage Ratio		117.94%		98.13%
Profitability (%)				
Net Interest Margin		13.28%		12.15%
Return on Assets		5.68%		4.78%
Return on Equity		28.29%		26.58%
Cost to Income Ratio		29.28%		30.56%
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)		172.49%		290.75%
Liquid Assets to External Funds		13.10%		14.95%

Memorandum Information			
Number of Branches (Including 17 Gold Loan Centers in 2021)		181	169
External Credit Rating (Fitch Ratings)		A- Ika (RWN)	A- Ika

The Company does not have any regulatory penalties or regulatory restrictions on deposits, borrowings and lending during the period ended 31st March 2022 and 2021.

CERTIFICATION:
We, the undersigned, being the Managing Director, the Chief Financial Officer and the Compliance Officer of L B Finance PLC certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);

(b) the information contained in these statements have been extracted from the unaudited financial statements of L B Finance PLC unless indicated as audited.

(Sgd)
J A S Sumith Adhihetty
Managing Director
18 May 2022

(Sgd)
Malith Hewage
Chief Financial Officer
18 May 2022

(Sgd)
Leonard Perera
Compliance Officer
18 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF L B FINANCE PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the financial statements of LB Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2022, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 at 31 March 2022, 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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment allowances for loans & receivables and lease rentals receivable & stock out on hire	Our audit procedures included amongst others the following: • We assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. • We evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls. • We checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Group. • We tested key calculations used in the impairment allowances. • We assessed whether significant judgements used in assumptions and estimate made by the management in the underlying methodology and management overlays were reasonable. We also evaluated the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Our procedures were based on the best available information up to the date of our report. • We evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions. Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery action and collateral values. • We assessed the adequacy of the related financial statement disclosures as set out in note(s), 4.17 and 4.18 of the financial statements.
Financial reporting related IT based Internal controls	Our audit procedures included the following: • We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • We identified and test checked relevant controls of key IT systems related to the Group's financial reporting process. • We evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. • We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- 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 ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

[Signature]
18 May 2022
Colombo



L B Finance PLC, 275/75, Prof. Stanley Wijesundara Mw., Colombo 7. | Tel: 0112 200 000 | www.lbfinance.com | LB Finance PLC

• Bronze award winner in Overall Excellence for the second consecutive year and Gold award winner in Finance and Leasing Sector for the fourth consecutive year at the CA Sri Lanka Annual Report Awards
• Gold award winner in Overall Excellence at the CMA Sri Lanka Annual Report Awards