

# LB FINANCE PLC

PUBLICATION OF FINANCIAL STATEMENTS AS PER SECTION 29(2) OF THE FINANCE BUSINESS ACT NO.42 OF 2011

Income Statement Year Ended 31 March (Audited) In Rupees ('000)	Company		Group	
	2023	2022	2023	2022
<b>Income</b>	42,756,458	30,159,476	43,133,443	30,157,403
Interest Income	39,643,934	27,510,530	39,973,555	27,506,107
Less: Interest Expenses	20,615,585	8,846,608	20,663,956	8,862,699
<b>Net Interest Income</b>	19,028,349	18,663,922	19,309,599	18,643,408
Fee and Commission Income	2,951,065	2,467,711	2,986,402	2,475,065
Net Trading Income	(2,096)	2,393	(2,096)	2,393
Other Operating Income	163,555	178,842	175,582	173,838
<b>Total Operating Income</b>	22,140,873	21,312,868	22,469,487	21,294,704
Less: Impairment Charges	545,744	1,025,981	519,133	1,111,767
<b>Net Operating Income</b>	21,595,129	20,286,887	21,950,354	20,182,937
<b>Less: Operating Expenses</b>				
Personnel Expenses	3,545,137	3,199,954	3,669,537	3,247,263
Depreciation of Property, Plant and Equipment	816,734	789,710	834,155	792,914
Amortisation of Intangible Assets	8,183	11,146	13,284	14,277
Other Operating Expenses	2,807,948	2,239,064	2,912,708	2,270,978
<b>Total Operating Expenses</b>	7,178,002	6,239,874	7,429,684	6,325,432
<b>Operating Profit before Tax on Financial Services</b>	14,417,127	14,047,013	14,520,670	13,857,505
Less: Tax on Financial Services	2,670,575	2,136,551	2,677,606	2,136,551
<b>Profit before Taxation</b>	11,746,552	11,910,462	11,843,064	11,720,954
Less: Income Tax Expense	3,286,221	3,248,604	3,290,178	3,244,923
<b>Profit for the Year</b>	8,460,331	8,661,858	8,552,886	8,476,031
<b>Profit Attributable to:</b>				
Equity Holders of the Company	8,460,331	8,661,858	8,554,543	8,530,497
Non-Controlling Interest	-	-	(1,657)	(54,466)
<b>Profit for the Year</b>	8,460,331	8,661,858	8,552,886	8,476,031
<b>Earnings per Share: Basic/Diluted (Rs.)</b>	15.27	15.63	15.44	15.40
<b>Dividend per Share (Rs.)*</b>	5.00	5.00		

\*Dividend per share is calculated based on the interim dividend paid and the proposed final dividend which is to be approved at the Annual General Meeting.

Statement of Comprehensive Income Year Ended 31 March (Audited) In Rupees ('000)	Company		Group	
	2023	2022	2023	2022
<b>Profit for the Year</b>	8,460,331	8,661,858	8,552,886	8,476,031
<b>Other Comprehensive Income that will be Reclassified to Income Statement</b>				
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	-	-	(70,587)	117,737
Less: Deferred Tax Charge/(Reversal) on above Items	-	-	-	-
<b>Net Other Comprehensive Income that will be Reclassified to Income Statement</b>	-	-	(70,587)	117,737
<b>Other Comprehensive Income that will never be Reclassified to Income Statement</b>				
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	31,364	8,984	31,364	8,984
Actuarial Gains/(Losses) on Defined Benefit Plans	7,539	86,003	8,166	86,003
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	2,262	20,641	2,262	20,641
<b>Net Actuarial Gains/(Losses) on Defined Benefit Plans</b>	5,277	65,362	5,904	65,362
<b>Net Other Comprehensive Income that will never be Reclassified to Income Statement</b>	36,641	74,346	37,268	74,346
<b>Other Comprehensive Income for the Year, Net of Tax</b>	36,641	74,346	(33,319)	192,083
<b>Total Comprehensive Income for the Year, Net of Tax</b>	8,496,972	8,736,204	8,519,567	8,668,114
<b>Attributable to:</b>				
Equity Holders of the Company	8,496,972	8,736,204	8,521,003	8,722,580
Non-Controlling Interest	-	-	(1,436)	(54,466)
<b>Total Comprehensive Income for the Year, Net of Tax</b>	8,496,972	8,736,204	8,519,567	8,668,114

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LB 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 subsidiaries ("the Group"), which comprise the statements of financial position as at 31 March 2023, 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 2023, 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
<b>Provision for credit impairment on financial assets carried at amortized cost</b>	In addressing the adequacy of the provision for credit impairment on financial assets carried at amortized cost, our audit procedures included the following key procedures: <ul style="list-style-type: none"> <li>We assessed the alignment of the Group's provision for credit impairment computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report.</li> <li>We evaluated the internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management.</li> <li>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.</li> <li>We tested key inputs as disclosed in notes 4.17 &amp; 4.18 and the calculations used in the provision for credit impairment.</li> <li>We assessed whether judgments used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each scenario.</li> <li>We assessed the adequacy of the related financial statement disclosures as set out in notes, 4.17 and 4.18 of the financial statements.</li> </ul>
<b>Information Technology (IT) systems and internal controls over financial reporting</b>	Our audit procedures included the following: <ul style="list-style-type: none"> <li>We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures.</li> <li>We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management.</li> <li>We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the group and the actions taken to address these risks.</li> <li>We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.</li> </ul>



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka  
Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Fax Tax : +94 11 5578180  
ey@lk.ey.com  
ey.com

Selected Key Performance Indicators				
Item	As at 31.03.2023		As at 31.03.2022	
	Required	Actual	Required	Actual
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy Ratio	10.00%	30.50%	8.00%	25.95%
Total Capital Adequacy Ratio	14.00%	31.13%	12.00%	26.90%
Capital Funds to Deposit Liabilities Ratio	10.00%	33.43%	10.00%	37.07%
<b>Quality of Loan Portfolio (%)</b>				
Gross Non-Performing Loans Ratio		4.45%		4.44%
Net Non-Performing Loans Ratio		-0.65%		-0.80%
Net Non-Performing Loans to Core Capital Ratio		-2.71%		-0.03%
Provision Coverage Ratio		114.40%		117.94%
<b>Profitability (%)</b>				
Net Interest Margin		11.86%		13.28%
Return on Assets		4.88%		5.68%
Return on Equity		23.78%		28.29%
Cost to Income Ratio		32.42%		29.28%
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)		190.99%		172.49%
Liquid Assets to External Funds		16.04%		13.10%
<b>Memorandum Information</b>				
Number of Branches		192		181
External Credit Rating (Fitch Ratings)		A- lka (RWN)		A- lka (RWN)

The Company does not have any regulatory penalties or regulatory restrictions on deposits, borrowings and lending during the period ended 31 March 2023 and 2022.

Statement of Financial Position As at 31 March (Audited) In Rupees ('000)	Company		Group	
	2023	2022	2023	2022
<b>Assets</b>				
Cash and Cash Equivalents	4,524,032	14,458,986	4,680,955	14,634,136
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	10,653	13,208	10,653	13,208
Financial Assets at Amortised Cost - Loans and Receivables	111,093,620	92,837,601	112,231,789	93,897,204
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	34,095,554	41,558,002	34,139,808	41,640,197
Financial Assets Measured at Fair Value Through Other Comprehensive Income	117,388	86,102	117,390	86,104
Other Financial Assets	21,685,834	5,598,624	21,710,810	5,655,767
Other Non Financial Assets	474,347	454,711	552,469	500,581
Investment in Subsidiaries	921,998	921,162	-	-
Property, Plant and Equipment and Right-of-Use Assets	8,633,347	8,421,741	8,667,202	8,448,930
Investment Properties	-	-	4,550	71,150
Intangible Assets	22,628	14,875	135,255	131,000
Deferred Tax Assets	767,186	-	767,186	-
<b>Total Assets</b>	182,346,587	164,365,012	183,018,067	165,078,277
<b>Liabilities</b>				
Due to Banks	19,369,784	26,858,737	19,392,536	26,861,944
Financial Liabilities at Amortised Cost - Due to Depositors	114,011,699	89,143,982	114,248,253	89,478,506
Debt Instruments Issued and Other Borrowed Funds	3,882,024	8,564,617	3,882,024	8,564,617
Other Financial Liabilities	3,255,862	3,305,112	3,283,059	3,343,419
Other Non Financial Liabilities	1,090,091	1,134,771	1,154,729	1,182,279
Current Tax Liabilities	2,255,830	1,882,242	2,261,996	1,875,082
Deferred Tax Liabilities	-	111,486	-	111,486
Post Employment Benefit Liability	365,557	316,973	367,504	323,833
<b>Total Liabilities</b>	144,230,847	131,317,920	144,590,101	131,741,166
<b>Equity</b>				
Stated Capital	838,282	838,282	838,282	838,282
Reserves	8,493,049	8,038,658	8,691,100	8,307,296
Retained Earnings	28,784,409	24,170,152	28,794,719	24,085,844
<b>Total Equity Attributable to Equity Holders of the Company</b>	38,115,740	33,047,092	38,324,101	33,231,422
Non-Controlling Interest	-	-	103,865	105,689
<b>Total Equity</b>	38,115,740	33,047,092	38,427,966	33,337,111
<b>Total Liabilities and Equity</b>	182,346,587	164,365,012	183,018,067	165,078,277
<b>Commitments and Contingencies</b>	2,403,948	1,694,463	2,403,948	1,694,463
<b>Net Asset Value per Share (Rs.)</b>	68.79	59.65	69.17	59.98

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)  
Malith Hewage  
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board of Directors by,

(Sgd.)  
J A S Sumith Adhithetty  
Managing Director

31 May 2023  
Colombo

(Sgd.)  
Mrs. Yogadusha Bhaskaran  
Director

### Other information included in the Group's 2023 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 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.

(Sgd.)  
31 May 2023  
Colombo



LB Finance PLC, 275/75, Prof. Stanley Wijesundara Mw., Colombo 7. | Tel: 0112 200 000 | www.lbfinance.com | LB Finance PLC A- lka (RWN) by Fitch Ratings

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