

Key Financial Data for the Period Ended 31 March (Audited) In Rupees Million	Company		Group	
	Current Period	Previous Period	Current Period	Previous Period
	From 01.04.2020 to 31.03.2021	From 01.04.2019 to 31.03.2020	From 01.04.2020 to 31.03.2021	From 01.04.2019 to 31.03.2020
Interest Income	27,458	29,160	27,611	29,297
Interest Expenses	(11,523)	(13,615)	(11,543)	(13,631)
<b>Net Interest Income</b>	<b>15,935</b>	<b>15,545</b>	<b>16,068</b>	<b>15,666</b>
Other Income	2,302	2,065	2,313	2,064
Gains/(Losses) from Trading Activities	6	(2)	6	(2)
Operating Expenses (Excluding Impairment)	(5,576)	(5,888)	(5,662)	(5,940)
Impairment	(1,692)	(1,831)	(1,728)	(1,856)
<b>Profit/(Loss) before Tax</b>	<b>10,975</b>	<b>9,889</b>	<b>10,997</b>	<b>9,932</b>
Taxes	(4,173)	(4,702)	(4,190)	(4,721)
<b>Profit/(Loss) after Tax</b>	<b>6,802</b>	<b>5,187</b>	<b>6,807</b>	<b>5,211</b>

Key Financial Data as at 31 March (Audited)	Company		Group	
	31.03.2021 Rs.(Mn)	31.03.2020 Rs.(Mn)	31.03.2021 Rs.(Mn)	31.03.2020 Rs.(Mn)
<b>Assets</b>				
Cash and Bank Balance	6,187	6,163	6,381	6,472
Due from Related Parties	79	87	57	70
Loans	114,081	118,796	114,769	119,350
Investments in Equity	610	585	89	64
Term Placements with Banks and other Institutions	10,041	8,890	10,041	8,890
Property, Plant and Equipment	8,267	8,263	8,287	8,283
Other Assets	1,311	1,180	1,319	1,193
<b>Total Assets</b>	<b>140,576</b>	<b>143,964</b>	<b>140,943</b>	<b>144,322</b>
<b>Liabilities</b>				
Due to Banks	16,467	22,771	16,527	22,883
Deposits from Customers	85,860	89,256	85,940	89,315
Other Borrowings	3,114	3,111	3,114	3,111
Other Liabilities	6,946	5,826	6,975	5,853
<b>Total Liabilities</b>	<b>112,387</b>	<b>120,964</b>	<b>112,556</b>	<b>121,162</b>
<b>Equity</b>				
Stated Capital	838	838	838	838
Statutory Reserve Fund	7,684	6,323	7,684	6,323
Retained Earnings	19,755	15,945	19,802	15,988
Other Reserves	(88)	(106)	63	11
<b>Total Equity</b>	<b>28,189</b>	<b>23,000</b>	<b>28,387</b>	<b>23,160</b>
<b>Total Liabilities and Equity</b>	<b>140,576</b>	<b>143,964</b>	<b>140,943</b>	<b>144,322</b>
<b>Net Assets Value per Share (Rs.)</b>	<b>50.88</b>	<b>41.51</b>	<b>51.24</b>	<b>41.80</b>

Selected Key Performance Indicators Item	Company			
	As at 31.03.2021		As at 31.03.2020	
	Required	Actual	Required	Actual
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy Ratio	7.00%	23.87%	7.00%	19.04%
Total Capital Adequacy Ratio	11.00%	25.32%	11.00%	20.75%
Capital Funds to Deposit Liabilities Ratio	10.00%	32.83%	10.00%	25.77%
<b>Quality of Loan Portfolio (%)</b>				
Gross Non-Performing Loans Ratio		5.36%		3.93%
Net Non-Performing Loans Ratio		0.10%		-0.12%
Net Non-Performing Loans to Core Capital Ratio		0.45%		-0.64%
Provision Coverage Ratio		98.13%		102.82%
<b>Profitability (%)</b>				
Net Interest Margin		12.15%		11.96%
Return on Assets		4.78%		3.70%
Return on Equity		26.58%		25.04%
Cost to Income Ratio		30.56%		33.44%
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)		290.75%		153.56%
Liquid Assets to External Funds		14.95%		12.43%
<b>Memorandum Information</b>				
Number of Branches (Including Gold Loan Centers)		169		165
External Credit Rating (Fitch Ratings)		A- (lka)		A- (lka)

The Company does not have any regulatory penalties or regulatory restrictions on deposits, borrowings and lending during the period ended 31st March 2021 and 2020.

#### CERTIFICATION:

We, the undersigned, being the Managing Director, the Assistant General Manager-Finance and the Compliance Officer of LB Finance PLC certify jointly that:

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);
- the information contained in these statements have been extracted from the unaudited financial statements of LB Finance PLC unless indicated as audited.

(Sgd)  
J A S Sumith Adhithetty  
Managing Director  
19 May 2021

(Sgd)  
Malith Hewage  
Assistant General Manager-Finance  
19 May 2021

(Sgd)  
Sebastian Pulle  
Compliance Officer  
19 May 2021

#### 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 subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2021, 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 2021, 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>Impairment allowance for loans &amp; receivables and lease rentals receivable &amp; stock out on hire.</b>	We assessed the alignment of the Company's expected credit loss computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following: <ul style="list-style-type: none"> <li>We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.</li> <li>We assessed the completeness and relevance of the underlying information used in the impairment calculations; Our procedures included                             <ul style="list-style-type: none"> <li>evaluating whether the underlying historical information was up to the reporting date</li> <li>testing the accuracy of underlying calculations</li> <li>checking the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the Company</li> </ul> </li> <li>As relevant, we assessed the reasonableness of the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic including the provisions that were made by the Company with a particular focus on the impact of COVID-19 on high risk industries</li> <li>We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and information sources. Our considerations included evaluating assumptions and estimates made by management, forward-looking information used, and weightages assigned to possible economic scenarios.</li> <li>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</li> </ul>
<b>As described in note(s) 4.19, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard - SLFRS 9 Financial Instruments. This was a key audit matter due to:</b> <ul style="list-style-type: none"> <li>materiality of the reported impairment allowance which involved complex calculations; and</li> <li>the degree of assumptions, judgements and estimation uncertainty associated with the calculations</li> </ul> Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following: <ul style="list-style-type: none"> <li>the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Company); and</li> <li>Forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.</li> </ul>	
<b>Impact of moratoriums and other relief measures on recognition of interest income</b> Moratoriums and other relief measures were granted by the Company to customers affected by the COVID-19 Pandemic.	Our audit procedures (among others) included the following; <ul style="list-style-type: none"> <li>We gained an understanding of the process adopted by the Company to grant, record and account for moratoriums and other relief measures provided to customers</li> <li>We assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts, on a sample basis. This included evaluating whether interest income on modified contracts have been recognized in line with its accounting policy for interest income recognition</li> <li>We tested the accuracy of underlying calculations. Our procedures included testing the completeness and accuracy of the data used in such calculations, by agreeing to source documents and moratorium customer returns, on a sample basis</li> </ul>
<b>Impact of moratoriums and other relief measures on the recognition of interest revenue on loans &amp; receivables and lease rentals receivable &amp; stock out on hire was a key audit matter due to:</b> <ul style="list-style-type: none"> <li>Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not, to contracts with customers as set out in note (s) 4.1 to the financial statements</li> <li>Use of various calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognized for the period</li> </ul>	
<b>IT systems and controls relevant to financial reporting</b>	Our audit procedures (among others) included the following; <ul style="list-style-type: none"> <li>Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access</li> <li>Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and gathering of required information in calculating the significant information for financial statements disclosures</li> <li>Checking the source data of the reports used to generate significant disclosures for accuracy and completeness</li> <li>Assessing the reasonability of management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant</li> </ul>

#### Other information included in the Group's 2021 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.

#### Auditors' 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 1884.

  
19 May 2021  
Colombo