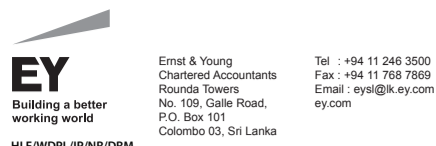


UB FINANCE PLC



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UB FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UB Finance PLC (the Company), which comprise the statement of financial position as at 31 March 2024 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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
<p>Impairment for Loans and Advances</p> <p>Impairment for Loans and Advances amounting to LKR 935 Mn arising from loans and advances of LKR 8.7 Bn (Note 14) is determined by the management based on the accounting policies described in Note 2.3.4.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and The materiality of the reported amount of impairment for loans and advances and use of complex calculations in its determination. <p>Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<p>In addressing the adequacy of the Impairment for Loans and Advances, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the alignment of the Company's Impairment for Loans and Advances computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. Evaluated the design, implementation, and operating effectiveness of controls over estimation of Impairment for Loans and Advances, which included assessing the level of oversight, review and approval of Impairment for Loans and Advances, policies and procedures by the Board and the management. Checked the completeness, accuracy and reasonableness of the underlying data used in the Impairment for Loans and Advances computations by cross checking to relevant source documents and accounting records of the Company. Evaluated the reasonableness of credit quality assessments and related stage classifications. Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. Assessed the adequacy of the related financial statement disclosures set out in notes 14.
<p>Information Technology (IT) systems related internal controls over financial reporting.</p> <p>Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures Involved our internal specialized resources and; Obtained and understanding IT Governance Structure of the Company Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management. Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks. Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other information included in The Company's 2024 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with 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 3755.

[Signature]
26 June 2024
Colombo

Partners: DK Hulanganuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saranam ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Prerera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCA FCMA MBA (USJ-SL), G B Goudan ACMA, Ms. P S Paranavitana ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS MSc - IT, V Shakthivel B.Com (Sp)

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Statement of Profit & Loss		
Year ended 31 March 2024 (Audited)	2024	2023
In Rupees ('000)		
Income	2,299,980.0	2,126,638.5
Interest Income	2,142,755.0	2,013,354.1
Interest Expenses	(1,399,295.6)	(1,274,402.1)
Net Interest Income	743,459.4	738,952.1
Fee and Commission Income	62,975.6	47,700.7
Fee and Commission Expenses	(17,230.8)	(11,841.5)
Net Fee and Commission Income	45,744.9	35,859.1
Other Operating Income (Net)	94,249.4	65,583.7
Total Operating Income	883,453.7	840,394.9
Impairment Charge for Loans and Advances and Other Assets	(59,170.9)	(332,659.2)
Net Operating Income	824,282.8	507,735.8
Staff Costs	(291,447.2)	(270,018.2)
Depreciation of Property, Plant and Equipment	(59,401.3)	(52,938.3)
Amortisation of Intangible Assets	(1,825.5)	(2,142.3)
Other Expenses	(332,403.7)	(256,434.3)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)	139,205.1	(73,797.4)
Value Added Tax on Financial Services (VAT on FS)	(68,181.6)	(37,306.0)
Social Security Contribution Levy (SSCL)	(9,469.7)	(2,349.8)
Profit/(Loss) Before Taxation	61,553.8	(113,453.2)
Tax Expense	(60,081.5)	-
Profit/(Loss) for the Year	1,472.2	(113,453.2)
Earnings per Share: Basic	0.001	(0.042)

Statement of Comprehensive Income		
Year ended 31 March 2024 (Audited)	2024	2023
In Rupees ('000)		
Profit for the Year	1,472.2	(113,453.2)
Other Comprehensive Income to be reclassified to Income Statement		
Other Comprehensive Income not to be reclassified to Income Statement		
Gains on revaluation of land and buildings	66,557.5	-
Deferred Tax Charge impact on revaluation reserve due to tax rate change	(19,997.3)	(3,608.0)
Gain on creating Investment in Shares	9,654.5	124.7
Deferred Tax Charge on creating Investment in Shares	(2,896.3)	(37.4)
Actuarial gains/(losses) on Post Employment Liability	136.6	487.8
Deferred Tax (Charge)/Reversal impact on above	(41.0)	(146.4)
Deferred Tax Impact due to rate change	-	-
Other Comprehensive Income for the Year, net of taxes	53,514.0	(3,179.2)
Total Comprehensive Income for the Year	54,986.3	(116,632.5)

Selected Key Performance Indicators				
Item	As at 31 / 03 / 2024		As at 31 / 03 / 2023	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	30.5%	8.5%	31.1%	8.5%
Total Capital Adequacy Ratio	30.5%	12.5%	31.1%	12.5%
Capital Funds to Deposit Liabilities Ratio	31.9%	10.0%	39.0%	10.0%
Quality of Loan Portfolio (%)				
Gross Stage 3 Loans Ratio	26.1%		32.5%	
Net Stage 3 Loans Ratio	16.6%		24.3%	
Net Stage 3 Loans to Core Capital Ratio **	62.0%		92.0%	
** The Non Performing Loans (NPL) classification has changed to 90 days in 2023/24 compared to 120 days in 2022/23				
Stage 3 Impairment Coverage Ratio	36.2%		25.2%	
Total Impairment Coverage Ratio	12.1%		11.7%	
Profitability (%)				
Net Interest Margin	7.2%		7.1%	
Return on Assets (PBT)	1.3%		-0.7%	
Return on Equity (PAT)	0.1%		-4.2%	
Cost to Income Ratio	78.0%		69.6%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	300.3%		196.4%	
Liquid Assets to External Funds	30.1%		18.3%	
Memorandum information				
Number of Branches	17		17	
External Credit Rating	"BB(ka)"		"BB(ka)" - RWN	
Regulatory penalties imposed last 6 months				
Amount (Rs. Mn)	-		-	
Regulatory Deposit Restrictions				
Cap on total Deposits (Rs. mn)	7,500		-	
Regulatory Lending Restrictions				
Cap on total Lending portfolio (Rs. mn)	-		-	

Statement of Financial Position		
As at 31 March 2024 (Audited)	2024	2023
In Rupees ('000)		
Assets		
Cash in Hand and Balances with Banks	229,038.5	510,336.6
Financial Investments at amortised cost	2,130,830.0	848,057.9
Financial Assets at amortized cost - Loans and Advances to Customers	7,760,662.2	8,088,941.8
Financial assets measured at fair value through Other Comprehensive Income	31,512.7	21,858.2
Investment in Real Estate	60,055.6	75,487.1
Other Assets	153,255.8	75,623.2
Intangible Assets	9,197.0	6,481.0
Property, Plant and Equipment	529,252.4	333,358.0
Deferred Tax Assets	63,363.8	146,380.0
	10,967,168.1	10,106,523.8
Liabilities		
Financial Liabilities at amortized cost		
Due to Banks	20,742.0	15,388.7
Due to other Customers	7,527,534.0	6,508,959.1
Other Borrowed Funds	-	481,130.1
Financial Liabilities	514,740.5	279,650.6
Other Non Financial Liabilities	66,129.5	100,085.6
Post Employment Liability	33,360.2	26,634.2
Total Liabilities	8,162,506.2	7,411,848.2
Equity		
Stated Capital	3,071,482.2	3,016,482.2
Statutory Reserve Fund	72,061.4	71,987.8
Fair Value Reserve	23,210.2	16,452.1
Revaluation Reserves	95,689.5	49,029.2
Regulatory Loss Allowance Reserve	281,020.7	92,549.0
Accumulated Loss	(738,802.1)	(551,824.7)
Total Shareholders' Equity	2,804,661.9	2,694,675.6
Total Equity and Liabilities	10,967,168.1	10,106,523.8

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

(Sgd.)
Asanka Udugama
Deputy General Manager - Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board:

(Sgd.)
Malay Mukherjee
Chairman

(Sgd.)
Ransith Karunaratne
Director/Chief Executive Officer

26 June 2024
Colombo

