

# INITIAL PUBLIC OFFERING



## INVEST IN A WINNING PARTNERSHIP



# PROSPECTUS

Financial Advisors & Managers to the Issue





# **INITIAL PUBLIC OFFERING**

**of**



**PB 113**

**ISSUE OF 55,000,000 NEW ORDINARY VOTING SHARES**

**AT LKR 1/- PER SHARE**

**TO BE LISTED ON THE DIRI SAVI BOARD OF THE COLOMBO STOCK EXCHANGE**


**ISSUE OPENS ON JULY 20, 2023**

**Financial Advisors and Managers to the Issue**



NDB Investment Bank Limited  
Level 1, NDB Capital Building  
No. 135, Bauddhaloka Mawatha  
Colombo 04

Tel : +94 11 2 300385-90  
Fax : +94 11 2 300393  
[www.ndbib.com](http://www.ndbib.com)



The Prospectus is dated June 27, 2023.

This Prospectus has been prepared from the information provided by the Company and its Directors and/or from publicly available sources. The Company and its Directors having made all reasonable enquiries and having seen and approved this Prospectus, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate.

Where representations regarding the future performance of UBF have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that, in their best judgement, are considered to be reasonable at the present point in time.

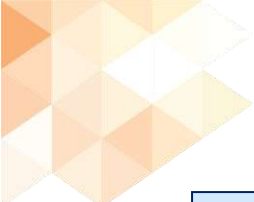
The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of UB Finance Company Limited ('UBF' or the 'Company') since the date of this Prospectus. If any such material change occurs, the same will be notified by the Company via a market announcement to the CSE.

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard, you should consult a lawyer, or any other professional advisor.

The CSE has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Shares which is decided solely by the Company.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of the Company including the risks involved prior to making any investment decision.

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.



All Applicants (both resident and foreign) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have an NIC Number.

As per the Directive of the Securities and Exchange Commission of Sri Lanka (SEC) made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application Form, in order to facilitate the uploading of allotted Shares to their CDS accounts.

Please note that upon the allotment of Shares under this Issue, the allotted Shares will be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED**. Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Opening Date or which indicates an inaccurate CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any Trading Participant of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE Mobile Application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

### Registration of the Prospectus

A copy of this Prospectus has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents will also be attached to the copy of the Prospectus which will be delivered to the Registrar General of Companies.

- **The Written Consent of the Managers to the Issue**

The Managers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Managers to the Issue and for the inclusion of the Research Report in the form in which it is included in the Prospectus.

- **The Written Consent of the Registrars to the Issue**

The Registrars to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Registrars to the Issue in the Prospectus.

- **The Written Consent of the Auditors and Reporting Accountants to the Company and to the Issue**

The Auditors and Reporting Accountants to the Company and to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Auditors and Reporting Accountants to the Company and to the Issue and for the inclusion of the Accountants' Report in connection to the Issue in the Prospectus.



- **The Written Consent of the Lawyers to the Issue**

The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Lawyers to the Issue in the Prospectus.

- **The Written Consent of the Bankers to the Company**

The Bankers to the Company have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Bankers to the Company in the Prospectus.

- **The Written Consent of the Bankers to the Issue**

The Bankers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Bankers to the Issue in the Prospectus.

- **The Written Consent of the Company Secretaries**

The Company Secretaries have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Company Secretaries in the Prospectus.

- **The Declaration by the Directors**

A declaration has been made by each of the Directors of the Company confirming that each of them has read the provisions of the Companies Act No. 7 of 2007 (as amended) relating to the issue of the Prospectus and that those provisions have been complied with.

## **Registration of the Prospectus in Jurisdictions Outside of Sri Lanka**

This Prospectus has not been registered with any authority outside of Sri Lanka. Foreign investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible for compliance with the laws relevant to their country of residence and the laws of Sri Lanka, when making their investment.

## **Representation**

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

## **Forward Looking Statements**

Any statements included in this Prospectus that are not statements of historical facts constitute 'Forward Looking Statements'. These can be identified by the use of forward-looking terms such as 'expect', 'anticipate', 'intend', 'may', 'plan to', 'believe', 'could' and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.



Such Forward-Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from what are expected, expressed or implied by Forward-Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

### **Investment Considerations**

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see 'Investment Considerations and Associated Risk Factors' in Section 11 of this Prospectus.

### **Presentation of Currency Information and Other Numerical Data**

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to 'LKR', 'Rupees', and 'Rs.' are references to the lawful currency of Sri Lanka. Reference to 'USD' is with reference to United States Dollars, the lawful currency of the United States of America. Certain numerical figures in the Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### **Presentation of Macroeconomic and Industry Data**

Economic and industry data used throughout this Prospectus are derived from various industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Managers to the Issue make any representation as to the accuracy of that information.

## ISSUE AT A GLANCE

<b>Company</b>	UB Finance Company Limited
<b>Number of Shares to be Issued</b>	Fifty Five Million (55,000,000) Shares
<b>Share Issue Price</b>	Sri Lanka Rupees One (LKR 1/-) per Share
<b>Amount to be Raised via Share Issue</b>	Sri Lanka Rupees Fifty Five Million (LKR 55 million)
<b>Minimum Investment per Application</b>	<p>Minimum investment per Application is Five Thousand (5,000) Shares amounting to LKR 5,000/-. Applications exceeding the minimum investment should be in multiples of One Thousand (1,000) Shares.</p> <p>Minimum investment of Five Thousand (5,000) Shares will be allotted to each successful Applicant to the extent possible.</p>
<b>Opening of the Subscription List (Issue Opening Date)</b>	July 20, 2023
<b>Closure of the Subscription List (Issue Closing Date)</b>	August 10, 2023 or the day on which the Issue becomes oversubscribed, whichever is earlier
<b>Earliest Issue Closing Date</b>	July 20, 2023
<b>Basis of Allotment</b>	The basis of allotment is detailed in Section 6.6 of this Prospectus
<b>CSE Listing</b>	To be listed on the Diri Savi Board of the CSE subject to compliance with the CSE Listing Rules and SEC Directives (as applicable)



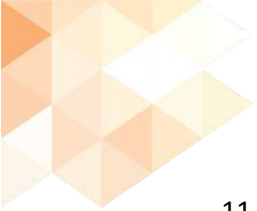
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A	RESEARCH REPORT PUBLISHED TO ASCERTAIN THE VALUE OF ORDINARY VOTING SHARES OF UB FINANCE COMPANY LIMITED
B	COLLECTION POINTS
C	CUSTODIAN BANK
D	ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY
E	AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022
F	INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2022
G	LITIGATION SUMMARY

# 1. CORPORATE INFORMATION

<b>The Company</b>	UB Finance Company Limited	
<b>Legal Form of the Company</b>	<p>A limited liability company incorporated in Sri Lanka on July 12, 1961 under the Companies Ordinance No. 51 of 1938 as “The Finance &amp; Guarantee Company Limited”</p> <p>The Company was initially registered under the Control of Finance Companies Act No.27 of 1979 on November 27, 1980. Thereafter, the Company was issued a license under the Finance Companies Act No. 78 of 1988 to conduct finance business on March 04, 1991, which had been renewed on an annual basis until 2005. Subsequent to the issuance of Finance Companies (Registration and Licensing) Rule No.01 of 2005, under Finance Companies Act No. 78 of 1988, the Company had been issued with a license on December 30, 2005. This license has been maintained to date by paying an annual licensing fee.</p> <p>The Company was subsequently renamed and re-registered under Companies Act No. 07 of 2007 (as amended) as “UB Finance Company Limited” on April 25, 2012.</p>	
<b>Company Registration Number</b>	PB 113	
<b>Registered Office</b>	<p><b>UB Finance Company Limited</b>            No. 10, Daisy Villa Avenue            Colombo 04            Tel : +94 11 4468888            Fax : +94 11 2508517</p>	
<b>Board of Directors</b>	<p>Mr. Atul Malik</p> <p>Mr. Sabry Ghouse</p> <p>Mr. Indrajit Wickramasinghe</p> <p>Mr. Ransith Karunaratne</p> <p>Ms. Lisa Thomas</p> <p>Mr. Michael J O'Hanlon</p> <p>Mr. Moahan Balendra</p> <p>Mr. Jayendra Setukavalar</p>	<p>Chairman / Non-Executive/ Non-Independent</p> <p>Non-Executive / Independent Senior Director</p> <p>Non-Executive / Non-Independent</p> <p>Chief Executive Officer / Executive/ Non-Independent</p> <p>Non-Executive / Non-Independent</p> <p>Non-Executive / Non-Independent</p> <p>Non-Executive / Independent</p> <p>Non-Executive/ Independent</p>
<b>Company Secretaries</b>	<p><b>P W Corporate Secretarial (Private) Limited</b>            No. 3/17, Kynsey Road            Colombo 08            Tel : +94 11 4640360            Fax : +94 11 4740588</p>	



<b>Auditors to the Company</b>	<b>Ernst &amp; Young Chartered Accountants</b> No. 201, De Saram Place Colombo 10 Tel : +94 11 2463500 Fax : +94 11 2697369
<b>Bankers to the Company</b>	<b>Union Bank of Colombo PLC</b> No. 64, Galle Road Colombo 03 Tel : +94 11 2374100 Fax : +94 11 2147500  <b>Commercial Bank of Ceylon PLC</b> Commercial House, No 21, Sir Razik Fareed Mawatha, P.O. Box 856 Colombo 01 Tel : +94 11 2486000 Fax : +94 11 2449889  <b>Hatton National Bank PLC</b> Level 19, No. 479, T B Jayah Mawatha Colombo 10 Tel : +94 11 2462462 Fax : +94 11 2662759  <b>Nations Trust Bank PLC</b> No. 242, Union Place Colombo 02 Tel : +94 11 4711411 Fax : +94 11 4313132  <b>People's Bank</b> No.75, Sir Chittampalam A. Gardiner Mawatha Colombo 02 Tel : +94 11 2481481 Fax : +94 11 2380516  <b>Sampath Bank PLC</b> No. 10, Sir James Peiris Mawatha Colombo 02 Tel : +94 11 2300260 Fax : +94 11 2303085  <b>Seylan Bank PLC</b> Seylan Towers, No. 90, Galle Road Colombo 03 Tel : +94 11 2008888 Fax : +94 11 2456456

## 2. RELEVANT PARTIES TO THE ISSUE

<b>Managers to the Issue</b>	<b>NDB Investment Bank Limited</b> Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04  Tel : +94 11 2 300385-90 Fax : +94 11 2 300393
<b>Lawyers to the Issue</b>	<b>Nithya Partners</b> No. 97/A, Galle Road Colombo 03  Tel : +94 11 4 712625 Fax : +94 11 2 328817
<b>Auditors and Reporting Accountants to the Issue</b>	<b>Ernst &amp; Young Chartered Accountants</b> No. 201, De Saram Place Colombo 10  Tel : +94 11 2 463500 Fax : +94 11 2 697369
<b>Registrars to the Issue</b>	<b>P W Corporate Secretarial (Private) Limited</b> No. 3/17, Kynsey Road Colombo 08  Tel : +94 11 4 640360 Fax : +94 11 4 740588
<b>Bankers to the Issue</b>	<b>Union Bank of Colombo PLC</b> No. 64, Galle Road Colombo 03  Tel : +94 11 2 374100 Fax : +94 11 2 147500

### 3. ABBREVIATIONS

AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCC	Board Credit Committee
Bn	Billion
BSc	Bachelor of Science
C.	Circa
CAGR	Compound Annual Growth Rate
CBSL	Central Bank of Sri Lanka
CCR	Core Capital to Risk Weighted Assets
CDS	Central Depository Systems (Private) Limited
CEFT	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
CMA	Certified Management Accountants
CRIB	Credit Information Bureau
CSE	Colombo Stock Exchange
EPS	Earnings per Share
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
HR	Human Resource
HRM	Human Resource Management
IIA	Inward Investment Account
ILA	Initial Listing Application
IRMC	The Integrated Risk Management Committee
LFCs	Licensed Finance Companies
LKR/Rs.	Sri Lanka Rupee
LLC	Limited Liability Company
LTV	Loan to Value
MBA	Masters in Business Administration
Mn	Million
N/A	Not Applicable
NAV	Net Asset Value
NBFIs	Non-Banking Financial Institution
NIBM	National Institute of Business Management
NIC	National Identity Card
NIM	Net Interest Margin
NM	Not meaningful
NPL	Non-Performing Loans
P/E	Price to Earnings Ratio
PBV	Price to Book Value
PLC	Public Limited Company



POA	Power of Attorney
ROE	Return on Equity
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter-bank Payment System
SMEs	Small and Medium Enterprises
TPG	Texas Pacific Group
UBC	Union Bank of Colombo PLC
UBF	UB Finance Company Limited
USD	United States Dollar
VAT	Value Added Tax
YoY	Year On Year

## 4. GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant/s</b>	An investor who submits an Application Form in terms of this Prospectus
<b>Application Form/ Application</b>	The application form that constitutes part of this Prospectus through which the investors may apply for the New Shares
<b>Articles of Association</b>	Articles of Association of UB Finance Company Limited
<b>Board/ Board of Directors/ Directors</b>	The Board of Directors of UB Finance Company Limited
<b>Companies Act</b>	Companies Act No. 07 of 2007 (as amended)
<b>Consolidation</b>	Consolidation of One Hundred (100) Ordinary Voting Shares of the Company in to Thirty One (31) Ordinary Voting Shares
<b>Foreign Investor</b>	<p>Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age;</p> <p>Corporate bodies incorporated or established outside Sri Lanka;</p> <p>Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas)</p> <p>Regional and country funds approved by the SEC</p> <p>Please refer Section 6.1 for further information</p>
<b>Initial Listing Application</b>	The Initial Listing Application dated March 20, 2023
<b>IPO</b>	Initial Public Offering of New Shares of the Company at the Share Issue Price in terms of this Prospectus
<b>IPO/ Issue Opening Date, Earliest IPO/ Issue Closing Date or IPO Closing Date</b>	The dates of opening and closing of the subscription list as set out in Section 5.9 of this Prospectus
<b>Issue/ Share Issue/ Offer for Subscription</b>	The issue of New Shares of the Company to be issued via the IPO at the Share Issue Price in terms of this Prospectus
<b>Joint Application Forms</b>	Application Forms submitted by natural persons not exceeding three (3)
<b>Lawyers to the Issue</b>	Nithya Partners
<b>Managers to the Issue/ Managers</b>	NDB Investment Bank Limited (NDBIB)
<b>Listing Rules/ CSE Listing Rules</b>	Listing Rules of the CSE as amended from time to time
<b>Local Time</b>	Sri Lanka Time
<b>Market Day</b>	Any day on which CSE is open for trading



<b>New Shares</b>	Fifty Five Million (55,000,000) new Ordinary Voting Shares to be issued by the Company to the public at the Share Issue Price
<b>Non-Retail Investor Category</b>	Investors who do not fall under the Retail Individual Investor Category and Unit Trust Investor Category
<b>Ordinary Shares/ Issued and Paid-up Ordinary Shares/ Ordinary Voting Shares/ Shares</b>	Ordinary Voting Shares of the Company
<b>Prospectus</b>	This Prospectus dated June 27, 2023 issued by the Company in connection with the Share Issue
<b>Public Holding</b>	Definition as set out in the Listing Rules
<b>Registrars to the Issue</b>	P W Corporate Secretarial (Private) Limited
<b>Retail Individual Investor Category</b>	Individual investors who subscribe for Shares up to a value of Sri Lanka Rupees One Hundred Thousand (LKR 100,000/-) (i.e. up to 100,000 Shares)
<b>SEC Act</b>	Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
<b>Share Issue Price/Issue Price</b>	The price at which New Shares will be issued to the public as detailed in this Prospectus, i.e. Sri Lanka Rupees One (LKR 1/-) per Ordinary Voting Share
<b>Stated Capital</b>	The Stated Capital of UBF
<b>UBC</b>	Union Bank of Colombo PLC
<b>UBF/ the Company</b>	UB Finance Company Limited
<b>Unit Holder</b>	An individual who has made an investment in units not exceeding the value of Sri Lanka Rupees Ten Million (LKR 10,000,000/-) in a particular Unit Trust Fund that subscribes for New Shares, as per SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01)
<b>Unit Trust Investor Category</b>	Growth and balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprise of not less than 500 Unit Holders resident in Sri Lanka who together hold at least 50% of that Unit Trust, as per SEC Directive dated June 06, 2011(Ref: SEC/LEG/11/06/01)
<b>Web Portal</b>	CDS Web Portal

## 5. DETAILS OF THE ISSUE

*All financial information and figures pertaining to FY23 in this section are based on the unaudited Financial Statements of UBF for the nine months period ended December 31, 2022.*

### 5.1. THE ISSUE

The Issue contemplated herein shall constitute an invitation made to the public to subscribe for up to Fifty Five Million (55,000,000) New Shares via an Offer for Subscription at the Share Issue Price of Sri Lanka Rupees One (LKR 1/-) per Share to raise a total sum of up to Sri Lanka Rupees Fifty Five Million (LKR 55,000,000/-).

If fully subscribed, the New Shares will amount to 2.0% of the Ordinary Voting Shares of the Company subsequent to the IPO.

### 5.2. NATURE OF THE NEW SHARES

From the date of allotment, the New Shares shall rank equal and *pari passu* in all respects with the existing Ordinary Voting Shares and each New Share shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

### 5.3. SIZE OF THE ISSUE

The Company intends to raise Sri Lanka Rupees Fifty Five Million (LKR 55,000,000/-) via the Issue.

### 5.4. SHARE ISSUE PRICE

The Share Issue Price will be Sri Lanka Rupees One (LKR 1/-) per Share. The Board of Directors of UBF is of the opinion that the Share Issue Price is fair and reasonable to the Company and to all existing Shareholders of the Company in terms of the Companies Act.

Advice for the determination of the Share Issue Price for the IPO was sought from Managers to the Issue, NDB Investment Bank (NDBIB) in accordance with the Research Report compiled by NDBIB in line with Rule 3.1.4 (c) of the CSE Listing Rules. A copy of the Research Report which includes the valuation methodologies is enclosed as Annexure A of this Prospectus.

The Net Asset Value per share of the Company (NAV) as per the unaudited Interim Financial Statements as at December 31, 2022 is LKR 0.98. The Share Issue Price is 1.02 times the NAV.

A summary of the valuation methods used to determine the Share Issue Price is as follows:

**Table 5-1 Summary of Valuation**

Valuation Method	Value per Share (LKR)	Discount/ (Premium)
Price to Book (PBV)	0.77	(23.00%)
Net Asset Value (NAV)	0.98	(2.14%)
Justified PBV	1.15	15.19%

Source: Research Report (Annexure A)

The three methods used indicate a per Share valuation range of LKR 0.77 – LKR 1.15. The offer price of LKR 1/- is at a premium of 23.00% to the lower limit and at a discount of 15.19% to the upper limit of the fair value range of UBF.

The investors should read the quantitative and qualitative factors given in Section 5.5, the risk factors included under Section 11 of this Prospectus and the details of the Company, and its Financial Statements included in this Prospectus.

## 5.5. QUANTITATIVE AND QUALITATIVE FACTORS PERTAINING TO THE ISSUE

### 5.5.1. Quantitative Factors

#### Net Asset Value (NAV) per Share and the Price to Book Value (PBV)

The Net Asset Value (NAV) per Share and the Price to Book Value (PBV) at the Share Issue Price are as follows:

**Table 5-2 NAV per Share, PBV at Share Issue Price**

As at	Net Assets Value (LKR)	NAV per Share (LKR)	PBV at Share Issue Price (x)
December 31, 2022 (unaudited)	2,641,850,762	0.98	1.02
March 31, 2022	2,811,308,060	1.04	0.96

- Based on the adjusted NAV per Share of LKR 1.04 as per the latest audited financial statements as at March 31, 2022, the PBV of UBF is 0.96 times.
- Based on the adjusted NAV per Share of LKR 0.98 as per the Interim Financial Statements as at December 31, 2022, the PBV of UBF is 1.02 times.
- The post-IPO NAV per Share amounts to LKR 0.98 based on the NAV as at December 31, 2022 adjusted for IPO proceeds and post IPO number of Ordinary Shares in issue assuming full subscription of the Issue.
- The Share Issue Price is Sri Lanka Rupees One (LKR 1/-).

PBV range of selected industry peers is given below (please refer Research Report in Annexure A for list of selected peers):

Particulars	Name of the Peer Entity	PBV (x)*
Lowest	Associated Motor Finance Company PLC	0.29
Highest	SMB Finance PLC	1.97
Industry Average		0.79

Source: S&P Capital IQ [www.capitaliq.com](http://www.capitaliq.com) (access only available to registered users) [Accessed on June 15, 2023]

Note: All peers belong to the Diversified Financial Services Sector

\*Market capitalisation is as at June 15, 2023 and book values are as at the last published quarter on December 31, 2022.

## Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Historical Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E) are given below.

**Table 5-3 EPS, ROE and P/E**

Year Ended	Basic EPS (LKR)*	Diluted EPS (LKR)*	Diluted EPS Adjusted for Consolidation (LKR)**	ROE (%)**	P/E (x)***
March 31, 2022	0.053	0.053	0.053	0.046	18.868
March 31, 2021	(0.018)	(0.018)	(0.058)	(0.055)	(17.241)
March 31, 2020	0.002	0.002	0.008	0.007	132.109
<b>Average</b>	<b>0.012</b>	<b>0.012</b>	<b>0.001</b>	<b>(0.001)</b>	<b>44.559</b>
Nine Months Ended December 31, 2022					
(as per unaudited Interim Financials, Not Annualised)	(0.063)	(0.063)	(0.063)	(0.062)	(15.945)
Nine Months Ended December 31, 2022					
(as per unaudited Interim Financials, Annualised)	(0.084)	(0.084)	(0.084)	(0.083)	(11.959)

Source: UBF Audited and Interim Financial Statements

$$* \text{Earnings per share (LKR)} = \frac{\text{Net profit as attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

\*\*ROE = Profit After Tax / Net Assets

\*\*\*P/E ratio is calculated based on the Share Issue Price of LKR 1/-. The Average P/E of 44.559 times is calculated as the average of Basic EPSs from March 31, 2020 to March 31, 2022.

### P/E Ratio

- Based on the financials for the year ended March 31, 2022, average Basic and Diluted EPS are to be LKR 0.012 while the P/E is 44.6 times.
- Based on adjusted Basic and Diluted EPS of LKR (0.084) and LKR (0.084) for the nine months ended December 31, 2022 (unaudited), the P/E is not meaningful (annualised Earnings).
- Based on the adjusted Basic and Diluted EPS of LKR (0.058) and LKR (0.058) for the year ended March 31, 2021, the P/E is not meaningful.
- Based on the three-year adjusted average (FY20 – FY22) Basic and Diluted EPS of LKR (0.012) and LKR (0.012), the P/E is not meaningful.
- The Industry Average P/E based on the selected peer group is 6.68.

P/E range of selected industry peers is given below (please refer Research Report in Annexure A for list of selected peers):

Particulars	Name of the Peer Entity	P/E (x)*
Lowest	Commercial Credit and Finance PLC	3.40
Highest	LOLC Finance PLC	13.10
Industry Average		6.68

Source: S&P Capital IQ [www.capitaliq.com](http://www.capitaliq.com) (access only available to registered users) [Accessed on June 15, 2023]

Note: All peers belong to the Diversified Financial Services Sector

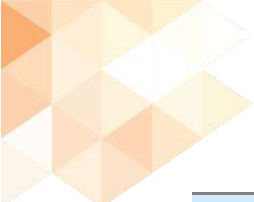
\*Market capitalization is as at June 15, 2023 and earnings are on a trailing twelve-month basis as at the last published quarter prior to December 31, 2022

### Comparison of Accounting Ratios of Peer Entities

The following peer companies categorised under Diversified Financial Services Sector were considered in arriving at a valuation for UBF. Given the large number of listed entities categorised under the Diversified Financial Services Sector, the peer group was narrowed down in order to include only the NBFIs. Senkadagala Finance PLC, Multi Finance PLC and Dialog Finance PLC were excluded by the Managers to the Issue in arriving at the average Peer PBV since they deemed as outliers given the heightened multiples of over 2.5 times that they were trading at the time of carrying out the valuations.

**Table 5-4 Comparison of Key Ratios Across Peers**

Peer Entity	NAV per Share (LKR)	P/E (x)	EPS (LKR)	P/BV (x)	ROE (%)
Abans Finance PLC	38.46	4.75	1.97	0.53	20.00
Alliance Finance Company PLC	197.00	3.52	35.40	0.31	17.00
Asia Asset Finance PLC	23.80	5.83	0.53	0.33	8.85
Associated Motor Finance Company PLC	25.05	3.90	0.52	0.29	8.07
Citizens Development Business Finance PLC	257.85	9.38	4.82	0.79	7.45
Commercial Credit and Finance PLC	60.51	3.40	3.37	0.40	21.60
HNB Finance PLC	2.86	NM	0.05	1.72	7.26
Lanka Credit and Business Finance PLC	3.48	12.40	0.08	0.59	8.98
LB Finance PLC	63.92	4.27	4.90	0.82	29.30
LOLC Finance PLC	4.89	13.10	0.16	1.90	18.50
Merchant Bank of Sri Lanka & Finance PLC	7.05	NM	(0.33)	0.46	(16.40)
Nation Lanka Finance PLC	0.49	NM	(0.03)	1.02	(23.20)
Orient Finance PLC	15.55	NM	(0.08)	0.46	(2.11)
People's Leasing & Finance PLC	18.74	4.98	0.77	0.37	11.80
People's Merchant Finance PLC	6.72	NM	(0.22)	0.69	(13.30)



Peer Entity	NAV per Share (LKR)	P/E (x)	EPS (LKR)	P/BV (x)	ROE (%)
Sarvodaya Development Finance PLC	22.53	8.67	0.54	0.48	9.53
Singer Finance (Lanka) PLC	23.92	5.72	0.67	0.49	11.10
SMB Finance PLC	0.35	NM	0.00	1.97	2.23
Softlogic Finance PLC	6.49	NM	(1.20)	1.41	(81.30)
Vallibel Finance PLC	44.79	6.98	2.28	0.70	19.90

Source: S&P Capital IQ [www.capitaliq.com](http://www.capitaliq.com) (access only available to registered users) [Accessed on June 15, 2023]

Note: All peers belong to the Diversified Financial Services Sector

NM – Not Meaningful

Earnings based metrics are on a trailing twelve-month basis as at the last published quarter prior to December 31, 2022.

All balance sheet information of the respective peers is as at the last published quarter prior to December 31, 2022.

Market capitalization is as at June 15, 2023

### 5.5.2. Qualitative Factors

In order to arrive at the Share Issue Price, the following qualitative factors were considered:

UBF carried out a Rights Issue on October 11, 2021 to the existing Shareholders at a per Share value of Sri Lanka Cents Thirty One (LKR 0.31) (which per Share value would amount to Sri Lanka Rupees One (LKR 1/-) on a post-Consolidation basis). The per Share value was considered to be fair and reasonable to the Company and the existing Shareholders by the Board of Directors of the Company. Total funds raised through the Rights Issue amounted to LKR 1.988 Bn whilst the parent company of UBF which is also the largest Shareholder, Union Bank of Colombo PLC alone infused LKR 1.96 Bn of the total proceeds raised.

Given the Company's business fundamentals, management expectations and industry dynamics as well as the affirmation made by the existing major Shareholder on the price of Sri Lanka Rupees One (LKR 1/-) per Share via the Rights Issue made on October 11, 2021 (adjusted for Share Consolidation), NDBIB believes that a price of Sri Lanka Rupees One (LKR 1/-) per Share is a fair value. The proposed IPO would extend an opportunity for the Shareholders to be part of the long-term growth of the Company and benefit from returns in the future through improvement in expected profitability.

## 5.6. OBJECTIVES OF THE IPO

Having met the minimum regulatory core capital requirements of the CBSL following the completion of the successful Rights Issue in October 2021, UBF is seeking a listing of its Shares on the CSE in order to fulfill the requirement stipulated by the CBSL to list.

UBF has utilised the full amount raised through the Rights Issue and intends to utilise the proceeds of the Offer for Subscription to expand its loan book in the ordinary course of business within two (02) months from the date of conclusion of the IPO. The Company will invest any proceeds not utilised for the aforementioned objective, in either one or a combination of government securities, deposits in Licensed Commercial Banks and money market funds generating a minimum return equivalent to the prevailing overnight REPO rate until the need arises for the utilization to achieve the aforementioned objective.

The Company, as at the date of this Prospectus, has not recognised related parties for the lending of the proceeds from the fund raisings and as such, the Company will disburse the proceeds to non-related borrowers in the ordinary course of business. In the event the Company decides to disburse part of the proceeds of this issue to any related party, such disbursements would be carried out in compliance with Section 9 of the CSE Listing Rules. Furthermore, the objectives of the Issue do not amount to a major transaction of UBF as per the Companies Act.

The monthly average disbursements made by UBF for the quarter from October 01, 2022 to December 31, 2022 amounts to approximately LKR 250 Mn. Therefore, UBF expects to disburse the proceeds from IPO also at a similar rate. However, said average disbursement figure is lower than monthly disbursements under normal business conditions by UBF which generally amounts to Six Hundred Million (c. LKR 600 Mn). The proposed objectives once implemented would extend an opportunity for the Shareholders to be part of the growth of UBF and benefit from returns in the future through improvement in expected profitability of UBF.

If there are any changes to circumstances due to risk factors highlighted in Section 5.7, the Company shall obtain approval from the Shareholders and make relevant disclosures to the CSE in terms of Section 8 of the CSE Listing Rules prior to using the funds for an objective not disclosed in the Prospectus.

## 5.7. SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE

Given the nature of the business, UBF does not foresee any specific risks that may lead to deviations from its objectives or delays in deploying the funds raised via the Issue as mentioned above during the time frames stipulated. However, in the event the Company cannot proceed with the said objectives and utilise the allocated funds due to the vulnerability of market conditions in Sri Lanka, as a result of macro-economic conditions and adverse effects or if there are any delays in deploying the funds raised via the IPO the Company will obtain the approval of the Shareholders as required.

In the event proceeds raised via the Offer for Subscription are to be utilised for any purpose, other than the purposes mentioned above or any deviation from the stipulated time frame to achieve such objectives or any deviation from amount allocated for such objectives, the Company will make necessary disclosures to the Shareholders via the CSE and include relevant disclosures in the interim financial statements and Annual Report as appropriate.

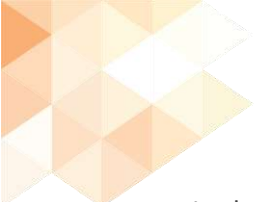
Further, the Company will take necessary steps to obtain the approvals of the relevant parties including the Shareholders as appropriate at that point in time and make necessary disclosures as appropriate. The Company will disclose the information pertaining to the utilisation of proceeds of the Offer for Subscription in the Annual Report and interim financial statements from the date of raising funds until the objectives are achieved, and funds are fully utilised as per the template referred to below.

### Continuous Disclosure on Utilisation of Proceeds of Offer for Subscription

**Table 5-5 Continuous Disclosure on Utilisation of Proceeds**

<i>Objective as per Prospectus</i>	<i>Amount Allocated as per Prospectus (LKR Mn)</i>	<i>Proposed Date of Utilisation as per Prospectus</i>	<i>Amount Allocated from Proceeds (LKR Mn) (A)</i>	<i>% of Total Proceeds</i>	<i>Amounts Utilised (LKR Mn) (B)</i>	<i>% of Utilisation against Allocation (B/A)</i>	<i>Clarification if not Fully Utilised including where the funds are invested*</i>
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*\*i.e., whether given to related parties etc.*



In the event the proceeds raised through the Issue have been fully utilised by the Company for any objective as disclosed in the Prospectus between two financial periods, the Company would disclose such fact in the immediate succeeding Annual Report or the interim financial statement, whichever is published first, subsequent to the utilisation in its entirety as per the above template.

## **5.8. LISTING**

The Issue herein contemplated amounts to the issuance of Fifty Five Million (55,000,000) Ordinary Voting Shares at Sri Lanka Rupees One (LKR 1/-) per Share. If fully subscribed, the Issued Shares will amount to 2.0 % of the Ordinary Shares of the Company subsequent to the Issue.

An application has been made and approved in principle by the CSE for permission to deal in and for a listing of Two Billion Seven Hundred and Fifty Four Million Six Hundred and Eighty Seven Thousand Three Hundred and Eighteen (2,754,687,318) Ordinary Voting Shares being the entirety of the Shares of the Company subsequent to the IPO.

However, the CSE reserves the right to revoke such approval, in the circumstances set out in Rule 2.3 (b) of the CSE Listing Rules.

UBF has already complied with Rule 2.1.2 (A) (ii) (a), (b) and (d) of the CSE Listing Rules for a listing on the Diri Savi Board.

It is expected that the Company will meet the minimum public holding requirement set out in Rule 2.1.2 (A) (ii) (c) of the CSE Listing Rules (Minimum Public Holding Requirement), pursuant to the issue of Ordinary Shares to the public under the Offering, thereby meeting all the necessary criteria for listing on the Diri Savi Board of the CSE.

However, in the event UBF is unable to meet the requirement of Rule 2.1.2 (A) (ii) (c) of the CSE Listing Rules as mentioned above, upon closure of the Offer, the Ordinary Shares of the Company will not be listed on the CSE. In such an event the amounts subscribed will be returned to the Applicants.

It should be noted that the aforesaid public holding requirements would be calculated by considering all Shares that are freely tradable on the date of listing. The details of Shares subject to lock-in are mentioned in Section 9.8 of the Prospectus.

## **5.9. OPENING AND CLOSING OF THE SUBSCRIPTION LIST**

The subscription list for the Issue Shares will open at 9.00 a.m. on July 20, 2023 and shall, subject to the occurrence of the events in the following paragraph, remain open for fourteen (14) Market Days (including the date of opening) until closure at 4.30 p.m. August 10, 2023.

In the event of an oversubscription of the Offering, the Company shall, inform the CSE in writing immediately of such fact and the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed. Accordingly, the Earliest Issue Closing Date shall be Issue Opening Date (i.e. July 20, 2023).

The Board of UBF reserves the right to close the subscription list on any Market Day within the period of fourteen (14) Market Days, irrespective of whether the Issue is oversubscribed or not, by providing one (01) Market Day's prior notice to the CSE.

Applications may be made forthwith in the manner set out in Section 6 of this Prospectus.



### 5.10. COST OF THE ISSUE

The total costs associated with the Issue are estimated to be c. LKR 14.9 Mn translating to c. 27.1% of the Issue. These include all direct costs and expenses associated with the Issue, inclusive of but not limited to the initial listing fees to the CSE, management/advisory fees payable to the Managers to the Issue, brokerage commission, fees for the registrar function, fees for bankers, legal, consultancy and accountancy, IPO portal, advertising and promotional costs and printing costs. The costs to be borne by UBF will be recovered from the internally generated funds of the Company.

### 5.11. BROKERAGE

Brokerage at the rate of zero decimal five per centum (0.5%) of the value of New Shares will be paid in respect of the number of New Shares allotted on Applications delivered physically bearing the original seal of any bank operating in Sri Lanka or a Trading Participant of the CSE or Managers to the Issue or any other intermediary appointed by the Company and/or Managers to the Issue involved in the marketing of the Issue.

### 5.12. MINIMUM SUBSCRIPTION AND UNDERWRITING

The Issue is not conditional upon any minimum subscription amount being raised through this IPO, subject to fulfilling the Minimum Public Holding Requirement. The Company has not entered into any underwriting arrangement with regard to the Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full, and funds raised via the IPO shall be utilised to meet the objectives of the Issue set out in Section 5.6 herein.

### 5.13. INSPECTION OF DOCUMENTS

Articles of Association, Auditors' Report and Audited Financial Statements for the financial year ended March 31, 2022, Accountants Report and Summary Financial Statements for the Five (5) financial years immediately preceding the date of this Prospectus, Interim Financial Statements for the Nine (9) month period ended December 31, 2022, material contracts and Management Agreements (if any), Research Report prepared by Managers to the Issue would be made available for inspection by the public during normal working hours at the registered office of the Company, at No. 10, Daisy Villa Avenue, Colombo 04 from the date hereof, until the subscription list is closed or up to Fourteen (14) market days, whichever is later as per Rule 3.1.19 (a) of the CSE Listing Rules.

The Prospectus, Application Form and Articles of Association of the Company will be available on the website of the CSE, [www.cse.lk](http://www.cse.lk), on the website of the Company, [www.ubf.lk](http://www.ubf.lk) and, on the website of the Managers to the Issue [www.ndbib.com](http://www.ndbib.com), from the date hereof for a period of not less than fourteen (14) Market Days as stipulated in Rule 3.1.19 (b) of the CSE Listing Rules.

The Research Report justifying the Share Issue Price will be available on the website of the CSE, [www.cse.lk](http://www.cse.lk), on the Company website, [www.ubf.lk](http://www.ubf.lk), and on the website of the Managers to the Issue [www.ndbib.com](http://www.ndbib.com), for a period of not less than Two (2) months from the date hereof, as stipulated in Rule 3.1.19 (c) of the CSE Listing Rules.



## 6. PROCEDURE FOR APPLICATION

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### 6.1. ELIGIBLE APPLICANTS

Applications are invited from the following categories of investors, **having a valid CDS account in the CDS:**

- i. Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age; or
- ii. Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; or
- iii. Companies, corporations or institutions incorporated or established within Sri Lanka; or
- iv. Corporate bodies incorporated or established outside Sri Lanka; or
- v. Approved unit trusts licensed by the SEC; or
- vi. Approved provident funds and contributory pension schemes registered/incorporated/ established in Sri Lanka (in this case, Applications should be in the name of the Trustee/Board of Management); or
- vii. Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- viii. Global, regional and country funds approved by the SEC.

Applications made by **individuals less than 18 years of age** or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.**

Applications submitted by investors mentioned in (ii), (iv), (vii) and (viii) should be in accordance with the provisions of Foreign Exchange Act No.12 of 2017 and any directions issued thereunder.

Applications submitted under the Unit Trust Investor Category should conform to the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01).

Eligible Applicants may fall into one of the following categories.

- i. Retail Individual Investor Category
- ii. Unit Trust Investor Category
- iii. Non-Retail Investor Category

Please refer “Glossary of Terms Related to the Issue” for the definitions of the aforementioned categories.



## 6.2. THE PROCEDURE FOR APPLICATION

### 6.2.1. How to Apply

#### Availability of Prospectus and Application Form

The soft copies of the Prospectus and the Application Form can be downloaded from [www.cse.lk](http://www.cse.lk), [www.ubf.lk](http://www.ubf.lk), on the website of the Managers to the Issue [www.ndbib.com](http://www.ndbib.com). **Please refer Section 6.2.8 for submission of Application Forms.** Considering the relatively smaller size of the IPO and in light of the increase in the costs involved in printing, the Company has obtained a waiver of the Listing Rule 2.4 (f) pertaining to making physical copies of the Prospectus available, from the CSE.

Applicants applying for New Shares should submit their Applications in the manner set out below as applicable to you.

#### i. Via Physical Delivery

Application Form will be made available free of charge from the collection points listed in Annexure B. The Prospectus and the Application Form can also be downloaded from [www.cse.lk](http://www.cse.lk), [www.ubf.lk](http://www.ubf.lk), on the website of the Managers to the Issue [www.ndbib.com](http://www.ndbib.com). **Please refer Section 6.2.8 for submission of Application Forms.** Investors must download the application form, print and submit same together with relevant supporting documents via physical delivery.

Applicants must apply for the New Shares through the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrars to the Issue.

#### ii. Via CSE Mobile App

Applicants who register with the CSE Mobile App should follow the instructions set out in the said Mobile App and submit their Applications as per the instructions. Submission of digital Application Forms through such CSE Mobile App is limited to both citizens of Sri Lanka who are resident in or outside Sri Lanka and are above 18 years of age and, foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas) only.

**The Mobile App, currently, does not facilitate Applications made through Powers of Attorney (POA), Margin Trading, Joint Applicants and the categories referred to in Section 6.1 sub-sections iii, iv, v, vi and viii to apply. Therefore, such Applicants may send their Applications physically as disclosed above.**

#### IMPORTANT:

- Resident applicants with Applications made for value of shares equal to or lesser than LKR 49,000/- have the option of completing the payment through the HelaPay Payment App integrated to the CSE Mobile App.
- This option is not available for non-resident applicants and applications made for value of shares more than LKR 49,000/-  
**IF THE APPLICANT HAS ALREADY MADE A PAYMENT TO THE IPO ACCOUNT (9970101000000272 - UB Finance Company Limited IPO - Online) PRIOR TO STARTING THE APPLICATION PROCESS, SUCH APPLICANTS SHOULD NOT SELECT THE 'HelaPay' OPTION.**

- **A convenience fee of LKR 100/- per Application will be charged for payments made through the HelaPay payment gateway via CSE Mobile App.**

Please note that the applicants who wish to use the integrated **HelaPay Payment App** platform through the CSE Mobile App should have the 'Helakuru' Mobile App installed in their mobile devices.

### iii. CDS Web Portal

The Applicant can use the online Application Web Portal accessible via <https://ipo.cse.lk/> or [www.cds.lk](http://www.cds.lk) or <https://www.linkedin.com/company/cds-srilanka>. Only resident and non-resident individual Applicants who have a valid CDS account at the time of application can apply via the CDS Web Portal.

**This option is not permitted for Applicants applying via POA, Margin Trading, Joint Applicants, foreign citizens, corporate bodies and Unit Trusts.**

The Applicant must comply with the instructions stated on the Web Portal when submitting the online Application.

#### **IMPORTANT:**

- **Resident applicants with Applications made for value of shares equal to or lesser than LKR 49,000/- have the option of completing the payment through the HelaPay Payment App integrated to the CSE Mobile App.**
- **This option is not available for non-resident applicants and applications made for value of shares more than LKR 49,000/-.**  
**IF THE APPLICANT HAS ALREADY MADE A PAYMENT TO THE IPO ACCOUNT (UB Finance Company Limited IPO - Online) PRIOR TO STARTING THE APPLICATION PROCESS, SUCH APPLICANTS SHOULD NOT SELECT THE 'HelaPay' OPTION.**
- **A convenience fee of LKR 100/- per Application will be charged for payments made through the HelaPay payment gateway via CDS Web Portal.**

Please note that the Applicants who wish to use the integrated **HelaPay Payment App** platform through the CDS Web Portal should have the 'Helakuru' Mobile App installed in their mobile devices.

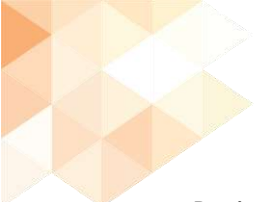
**Any Application submitted without a valid CDS account will be rejected.**

Users must first register for the Web Portal and read the instructions given on the Web Portal carefully and click on "Apply Now" option. Users will be directed to a page to self-register and create a login by validating their mobile number and email address. Once the user logs-in to the Web Portal the Application can be completed and submitted via the CDS Web Portal.

**APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR UNDER DIFFERENT CATEGORIES WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.**

### (iv) CDS eConnect

Institutional users (CDS Account types of Local Customer and Foreign Customer) who are registered to the CDS eConnect facility are allowed to apply for the IPO through their registered CDS eConnect.



Registered eConnect Institutional users (Applicant categories iii, iv, v, vi, viii mentioned in Section 6.1 Eligible applicants), have an option for “eIPOs” within their eConnect facility, through which they are enabled to select the relevant IPO and apply.

### **Retail Individual and Non-Retail Investor Category**

Applicants falling under the **Retail Individual and Non-Retail Investor Categories** should apply for New Shares through the Application Form, which constitutes part of this Prospectus (please refer Section 6.2.1 above for methods of obtaining the Prospectus and Application Form).

Exact size copies of the Application Form will also be permissible under the Retail Individual and Non-Retail Investor Categories. The completed Application Forms should be submitted to the Registrars to the Issue in accordance with Section 6.2.8 of the Prospectus.

Local and foreign individual investor/s who apply for up to a maximum of One Hundred Thousand (100,000) New Shares (value of not more than Sri Lanka Rupees One Hundred Thousand [LKR 100,000/-]) will be deemed as Retail Individual Investors for share allotment purposes.

All foreign Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number (as applicable) is stated in the relevant cages of the Application Form.

### **Unit Trust Investor Category**

Applicants applying under the **Unit Trust Investor Category** should apply for the New Shares using the same Application Form (please refer Section 6.2.1 for methods of obtaining the Prospectus and Application Form and submission).

Only one Application should be made by an Applicant under the **Unit Trust Category**.

Applications submitted under the Unit Trust Investor Category should submit a confirmation by the trustee that such Unit Trust is in conformity with the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01).

### **Joint Applications**

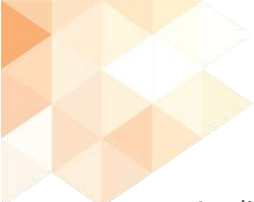
An Applicant of a Joint Application, applying through another Application Form, is deemed to have made multiple Applications and will be rejected.

An Applicant who has made an Application under a margin trading account should not apply individually or jointly on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Subject to the above, the Company/Managers/Registrars to the Issue reserve the right to reject multiple Applications and suspected multiple Applications which are not allowed or to accept only one Application Form at their discretion.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation or reason.

Please note that Applicant information such as full name, address, NIC number/Passport Number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information shall take precedence over the information provided in the Application Form.



Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts will be rejected.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

All Applicants (both resident and foreign) should indicate their respective NIC number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have an NIC Number.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares will be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application which does not carry a valid CDS account number or indicates a CDS account number which is not opened at the time of Issue Opening Date or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any Trading Participant of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the CSE Mobile App. The CSE mobile application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

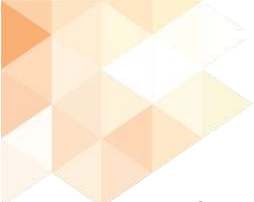
**PLEASE NOTE THAT AN ALLOTMENT OF NEW SHARES WILL ONLY BE MADE IF YOU HAVE A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.**

Applicants have the option of having their shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the shares need to be deposited to his/her 'locked' balance in the CDS account, the said shares would be deposited to Applicant's 'trading' balance in the CDS account.

**Operation of a 'locked' balance in the CDS**

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS provides a mechanism where securities can be 'locked' in the CDS account.

The CDS maintains two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done normally.



As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from any unauthorised sale by a broker.

At the request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

#### 6.2.2. Number of Shares Applied

Application should be made for a minimum of Five Thousand (5,000) Shares for a value of Sri Lanka Rupees Five Thousand (LKR 5,000 /-) and in multiples of Thousand (1,000) Shares thereafter. The maximum number of Shares that can be applied through one Application under the IPO would be limited to Fifty Five Million (55,000,000) Shares, i.e. the total number of Shares issued under the IPO. Any Applications for over and above Fifty Five Million (55,000,000) Shares would be either capped at the maximum of Fifty Five Million (55,000,000) Shares or rejected at the outset at the discretion of the Board of Directors.

Applications made for less than Five Thousand (5,000) Shares or for a number which is not in multiples of One Thousand (1,000) Shares will be rejected and the accompanying cheques, bank drafts or bank guarantees will not be sent for clearing but will be returned via ordinary post at the risk of the Applicant, or in the case of Joint Applicants, the first named Applicant. **The cheque or bank draft or direct deposit or bank guarantee or RTGS/CEFT/SLIPS transfer or payment via the payment gateway provided through the CDS Web Portal/CSE Mobile App should be issued/carried out to the exact the number of New Shares applied for multiplied by the Share Issue Price.** Any Application not conforming to the above requirement will be rejected and the Application monies will be returned as aforementioned.

Please refer Section 6.3.1 for details with respect to the Mode of Remittance.

#### 6.2.3. Identification Information

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.

The NIC, Passport, or Company Registration Number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the Passport for purposes of identification only if they do not have a NIC Number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

Table 6-1 Investor identification required

Citizenship/Legal Form	Identification Information			
	NIC Number	Passport Number	Company Registration Number	Common Seal or Rubber Stamp
Sri Lanka Citizens	X			
Sri Lanka Citizens with no NIC Number*		X		
Foreign Citizens**		X		
Corporate Entities***			X	X

\* In the case of Sri Lankan citizens, the Passport Number will be accepted only when the NIC Number is not available. The CDS account must be for the same Passport Number.

\*\* Foreign citizens must state the Passport Number in the space provided in the Application Form.

\*\*\* In case of a corporate entity, the Company Registration Number must be provided. The common seal or rubber stamp should be affixed, and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.

A valid CDS account number must be stated in the Application Form. All foreign Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number is stated in the relevant cages of the Application Form. All information about the Applicant (i.e., name, address, nationality and NIC or Passport Number) will be downloaded from the database of the CDS, based on the number given in the Application Form. In the event of any discrepancy between the information in the CDS and in the Application Form, the information in the CDS shall take precedence.

If the CDS account number is not indicated in the Application Form, or the number indicated in the Application Form is found to be inaccurate/incorrect, or the account number indicated is not opened at the Issue Opening Date, such Application will be rejected, and no allotments of Shares will be made.

#### 6.2.4. Key Responsibility of a Foreign Investor

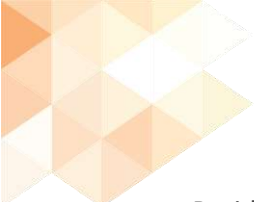
Foreign Investors may be affected by the laws of the jurisdiction of their residence. If Foreign Investors wish to apply for the New Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

#### 6.2.5. Margin Trading

Applicants who wish to apply through their margin trading account should submit the Applications in the name of the 'margin provider/Applicant's name' signed by the margin provider.

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The New Shares shall be uploaded to the CDS account indicated in the Application Form.

The NIC, Passport, or Company Registration Number of the Applicant as the case may be, must be stated in the Application Form.



Resident Applicants may use the Passport for purposes of identification, only if they do not have a NIC Number.

A photocopy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Details regarding multiple Applications are available under Section 6.2.1.

Please note that the CSE Mobile App and CDS Web Portal do not facilitate an Application by Applicants through a margin trading facility.

#### **6.2.6. Applications Made Under Power of Attorney**

In the case of Applications made under POA, a copy of the said POA, **certified by a notary public** to be a true copy of the original, should be submitted to the Registrars to the Issue along with the Application Form. **The original POA should not be attached.**

Please note that the CSE Mobile App and CDS Web Portal do not facilitate an Application by a POA.

#### **6.2.7. Joint Applications**

In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form whereas if the ownership of the New Shares is desired in the name of one Applicant, full details should be given only under the heading, **SOLE/FIRST APPLICANT** in the Application Form.

Joint Application Forms are permitted only for natural persons not exceeding Three (3) Applicants. Joint Applicants should note that there should not be a combination of residents of Sri Lanka and non-residents. An Applicant of a Joint Application shall not apply through a separate Application Form either individually or jointly.


Please note that the CSE Mobile App and CDS Web Portal do not facilitate an Application by Joint Applicants.

#### **6.2.8. Submission of Applications**

- **Applicants Applying via CSE Mobile App or CDS Web Portal**
  - **For Application values equal to or less than LKR 49,000/-**

Application Forms duly completed in accordance with the instructions thereof, along with the applicable remittance via payment gateway (only for resident applicants) or along with applicable remittance/proof of remittance as applicable for the full amount payable on Application Form shall be forwarded online as referred to Section 6.2.1.
  - **For Application values above LKR 49,000/-**

Application Forms duly completed in accordance with the instructions thereof, along with the applicable remittance/proof of remittance as applicable (cheque or bank draft or direct deposit or bank guarantee or RTGS transfer or CEFT transfer or SLIPS transfer) for the full amount payable on Application Form shall be forwarded online as referred to Section 6.2.1.



Cheques, bank drafts and bank guarantees should be addressed and dispatched by post or courier or delivered by hand to the CDS, enclosed in a sealed envelope marked **‘CDS account number and the Reference Number sent by CDS via In-App message/email after successful completion of the online application’** on the top left-hand corner at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

**Central Depository Systems (Private) Limited**

Ground Floor, M & M Center,  
341/5, Kotte Road, Rajagiriya

- **Applicants Applying via Physical Delivery**

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance/proof of remittance as applicable (cheque or bank draft or direct deposit or bank guarantee or RTGS transfer or CEFT transfer or SLIPS transfer only) for the full amount payable on Application Form may be forwarded by way of delivery (by hand or post) enclosed in a sealed envelope marked **‘UB Finance Company Limited – IPO’** on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the Registrars to the Issue at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

**P W Corporate Secretarial (Private) Limited**

No. 3/17, Kynsey Road  
Colombo 08

Applications may also be handed over to the Company, Managers to the Issue, Bankers to the Issue and its designated branches and Trading Participants of the CSE, as set out in Annexure B **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

In the case of Applications dispatched by post, such Applications should reach the Registrars to the Issue **not later than 4.30 p.m. Local Time on the Market Day immediately following the Issue Closing Date.**

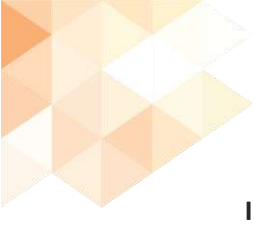
Any Applications received after the above deadlines shall be rejected even if the courier or post mark is dated prior to the Issue Closing Date.

## **6.3. PAYMENT OF APPLICATION MONIES**

### **6.3.1. Mode of Remittance**

#### **(a) Applicants Applying via CSE Mobile App or CDS Web Portal**

1. **For Application values equal to or less than LKR 49,000/-** (for resident Applicants only) payment option is enabled through the integrated HelaPay payment gateway of CSE Mobile App/CDS Web Portal. If the payment is made outside the payment portal, Applicant should not select the integrated payment option, but attach the applicable remittance/proof of remittance as applicable to the online application.
2. **For Application values above LKR 49,000/-** and for all non-resident applicants either by direct deposit or by cheque drawn upon or bank draft or bank guarantee issued by a Licensed Commercial Bank operating in Sri Lanka or RTGS/CEFT/SLIPS transfer directed through any Licensed Commercial Bank operating in Sri Lanka, as the case may be subject to (d) below. The remittances on Applications will be deposited in bank account in the name of **‘UB Finance Company Limited IPO - Online’**



**IMPORTANT - When direct deposits, cheque deposits, CEFT, RTGS or SLIPS transfers are made, ensure to enter the CDS account number of the Applicant in the 'Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment' field to identify the payments. If the payment cannot be identified Application may get rejected.**

**(b) Institutional Applicants Applying via CDS eConnect**

Payment in full for the total value of shares applied should be made by way of direct deposit or by cheque drawn upon or bank draft or bank guarantee issued by a Licensed Commercial Bank operating in Sri Lanka or RTGS/CEFT/SLIPS transfer directed through any Licensed Commercial Bank operating in Sri Lanka, as the case may be subject to (d) below. The remittances on Applications will be deposited in bank account in the name of **'UB Finance Company Limited IPO - Online'**

**IMPORTANT - When direct deposits, cheque deposits, CEFT, RTGS or SLIPS transfers are made, ensure to enter the CDS account number of the Applicant in the 'Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment' field to identify the payments. If the payment cannot be identified Application may get rejected.**

**(c) Applicants Applying via Physical Delivery**

Payment in full for the total value of New Shares applied for should be made separately in respect of each Application either by direct deposit or by cheque drawn upon or bank draft or bank guarantee issue by a Licensed Commercial Bank operating in Sri Lanka or RTGS/CEFT/SLIPS transfer directed through any Licensed Commercial Bank operating in Sri Lanka, as the case may be subject to (d) below.

The remittances on Applications will be deposited in bank account in the name of **'UB Finance Company Limited IPO - Physical'**.

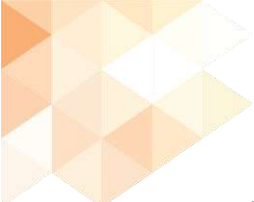
**(d) Amount Payable and Other Payment Conditions**

The amount payable should be calculated by multiplying the number of New Shares applied for under a particular category by the Share Issue Price of Sri Lanka Rupees One (LKR 1/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or amount deposited to IPO account via direct deposit or RTGS/CEFT/SLIPS transfer such Applications will be rejected.

CEFT/SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL.

Payments for Applications via the payment gateway available on CSE Mobile App and CDS Web Portal is subject to a maximum value limit of Sri Lanka Rupees Fifty Thousand (LKR 50,000/-). i.e. Maximum Application value of LKR 49,000/- and convenience fee of LKR 100/-.

In the case of cheques, bank drafts, direct deposit, RTGS/CEFT/SLIPS transfer and bank guarantees, Application Forms should be accompanied by only one cheque or bank draft or single direct deposit or RTGS/CEFT/SLIPS transfer (single transfer) or bank guarantee and should be issued for the full amount indicated in the Application Form.



Any Application for New Shares of accompanied by two or more cheques or bank drafts or direct deposits or RTGS/CEFT/SLIPS transfers or bank guarantees will be rejected at the outset.

**Cash will not be accepted.** Anyone wishing to pay cash should obtain a bank draft from a Licensed Commercial Bank in Sri Lanka.

### 6.3.2. Cheques or Bank Drafts – Resident Sri Lankan Investors

- **Applicants Applying via CSE Mobile App or CDS Web Portal or CDS eConnect**

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed '**Account Payee Only**' and deposited to '**UB Finance Company Limited IPO - Online**'. Proof of such deposit should be submitted with the Application form through the CSE Mobile App or CDS Web Portal.

If the cheque is not deposited the IPO bank account, the original cheque should be enclosed in a sealed envelope marked '**CDS account number and the Reference Number sent by CDS via In-app message/ email after successful completion of the online application**' on the top left-hand corner at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date**.

**Central Depository Systems (Pvt) Limited**

Ground Floor, M & M Center,  
341/5, Kotte Road, Rajagiriya

- **Applicants Applying via Physical Delivery**

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed '**Account Payee Only**' and made payable to '**UB Finance Company Limited IPO - Physical**'.

Cheques or bank drafts accompanying Application Forms made for less than Five Thousand (5,000) Shares, i.e. for a value less than Sri Lanka Rupees Five Thousand (LKR 5,000 /-) or for a number which is not in multiples of Sri Lanka Rupees One Thousand (1,000) Shares (as mentioned in Section 6.2.2) will not be sent for clearing and shall be returned via ordinary post at the risk of the Applicant or, in the case of joint Applicants, to the first named Applicant.

In the event that cheques are not realised within Two (2) Market Days from the date of presenting the same to the bank for clearing, the Directors reserve the right to reject the Applications and return the Application cheques. No allocation of New Shares will be made to such Applicants.

Applicants residing in outstation areas in which cheque clearance may take over Two (2) Market Days are advised to make payment via bank drafts to avoid any delays.

Cheques must be honoured on the first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honoured on first presentation will be rejected.

### 6.3.3. Bank Guarantees – Resident Sri Lankan Investors

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 6.3.1 will be accepted. Bank guarantees will be presented to the respective banks only after the New Shares have been allotted.



- **Applicants Applying via CSE Mobile App, CDS Web Portal or CDS eConnect**

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 6.3.1 and in favour of **‘UB Finance Company Limited IPO - Online’** in a manner acceptable to the Company and payable on demand will be accepted.

Please note that the original bank guarantee should be lodged with the CDS enclosed in a sealed envelope marked **‘CDS account number and the Reference Number sent by CDS via In-app message/email after successful completion of the online application’** prior to 4.30 p.m. local time on the Issue Closing Date, in order to claim funds in respect of such Applications made via bank guarantees. Flexibility may be given as appropriate depending on the situation of the country and due announcement will be made by the Company on the CSE in the regard.

- **Applicants Applying via Physical Delivery**

Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of **‘UB Finance Company Limited IPO - Physical’** in a manner acceptable to the Company and payable on demand.

Please note that the original bank guarantee should be lodged with the Registrars to the Issue together along with the Application Form prior to 4.30 p.m. local time on the Issue Closing Date, in order to claim funds in respect of such Applications made via bank guarantees. In the event there are any macro conditions due to which there are difficulties in handing over Applications via this method, flexibility may be given as appropriate depending on the situation of the country and due announcement will be made by the Company on the CSE in the regard.

Bank guarantees should be valid for a minimum of One (1) month from the Issue Opening Date (i.e. July 20, 2023).

Applicants are advised to ensure that sufficient funds/facilities are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue/CDS.

It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

#### **6.3.4. Direct Deposits -Resident Sri Lankan Investors**

- **Applicants Applying via CSE Mobile App or CDS Web Portal or CDS eConnect**

In case of Applications made using direct deposit via cash/cheque/bank draft, such direct deposits should be made to the credit of **‘UB Finance Company Limited IPO - Online’** bearing the account number **9970101000000272** at **Union Bank of Colombo PLC, Head Office Branch (Branch Code – 997)** prior to 4.30 p.m. local time on the IPO Closing Date.

A scanned copy of the deposit paying-in-slip, should be uploaded and submitted to the CDS through the CSE Mobile App/ CDS Web Portal together with the Application Form prior to 4.30 p.m. local time on the Issue Closing Date.

Applicants are required to indicate their NIC Number or CDS account number as payment reference in the deposit slip.

**If the payment cannot be identified such Applications may get rejected.**



- **Applicants Applying via Physical Delivery**

In case of Applications made using direct deposit via cash/cheque/bank draft, such direct deposits should be made to the credit of **‘UB Finance Company Limited IPO - Physical’** bearing the account number **9970101000000281** at **Union Bank of Colombo PLC, Head Office Branch (Branch Code – 997)** prior to 4.30 p.m. local time on the IPO Closing Date.

A copy of the deposit paying-in-slip, should be submitted to the Registrars to the Issue together with the Application Form prior to 4.30 p.m. local time on the Issue Closing Date.

Applicants are required to indicate their NIC Number or CDS account number as payment reference in the deposit slip.

#### **6.3.5. RTGS/CEFT/SLIPS Transfers -Resident Sri Lankan Investors**

- **Applicants Applying via CSE Mobile App or CDS Web Portal or CDS eConnect**

In case of RTGS/CEFT/SLIPS transfers such transfers should be made to the credit of **‘UB Finance Company Limited IPO - Online’** bearing the account number **9970101000000272** at **Union Bank of Colombo PLC, Head Office Branch (Branch Code – 997)**, on the Issue Opening Date (i.e., the funds to be made available to the above account). Applicants are required to indicate their CDS account number as payment reference for RTGS/CEFT/SLIPS transfers. Any Applications accompanying fund transfers confirmations without the payment reference as aforementioned will be rejected.

The Applicants should obtain a confirmation from the Applicant’s bank to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of **‘UB Finance Company Limited IPO - Online’** and the fund transfer confirmation should be submitted with the Application Form.

**IMPORTANT: When CEFT, RTGS or SLIPS transfers are made, ensure to enter the CDS account number of the applicant in the ‘Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment’ field to identify the payments. If the payment cannot be identified such Applications may get rejected.**

- **Applicants Applying via Physical Delivery**

In case of RTGS/CEFT/SLIPS transfers such transfers should be made to the credit of **‘UB Finance Company Limited IPO - Physical’** bearing the account number **9970101000000281** at **Union Bank of Colombo PLC, Head Office Branch (Branch Code – 997)**, on the Issue Opening Date (i.e., the funds to be made available to the above account). Applicants are required to indicate their NIC Number or CDS account number as payment reference for RTGS/CEFT/SLIPS transfers. Any Applications accompanying fund transfers confirmations without the payment reference as aforementioned will be rejected.

The Applicants should obtain a confirmation from the Applicant’s bank to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of **‘UB Finance Company Limited IPO - Physical’** and the fund transfer confirmation should be attached to the Application Form.



### 6.3.6. Foreign Currency Remittances


This section is applicable to:

- i. Citizens of Sri Lanka who are above 18 years of age and resident overseas.
- ii. Corporate bodies incorporated or established outside Sri Lanka.
- iii. Regional or country funds approved by the SEC.
- iv. Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

A foreign investor may invest through an IIA (previously known as a Securities Investment Account/SIA) maintained with any Licensed Commercial Bank in Sri Lanka. The procedure for arranging payments through an IIA are presented below:

- A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market.
- The intermediary may open an IIA, on the investor's behalf.
- In conjunction with the IIA, an account with the CDS must be opened in case the investor does not already possess a valid CDS account.
- In respect of regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.
- **Applicants Applying via CSE Mobile App or CDS Web Portal**
  - Payment for New Shares should be made through a cheque or bank draft or bank guarantee issued by a Licensed Commercial Bank in Sri Lanka or through a RTGS/CEFT/SLIPS transfer against the funds arranged through the IIA and made payable to **'UB Finance Company Limited IPO - Online'** bearing the account number **9970101000000272** at **Union Bank of Colombo PLC, Head Office Branch (Branch Code – 997)** prior to 4.30 p.m. local time on the Issue Closing Date. Kindly note that the foreign individual Applicants are **NOT** eligible to use the payment gateway option. Therefore, they must ensure to initiate the transfers prior to making the Application using an accepted mode of payment.
- **When CEFT, RTGS or SLIPS transfers are made, ensure to enter the CDS account number of the applicant in the 'Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment' field to identify the payments. If the payment cannot be identified such Applications may get rejected.**
- **Applicants Applying via Physical Delivery**
  - Payment for New Shares should be made through a cheque or bank draft or bank guarantee issued by a Licensed Commercial Bank in Sri Lanka or through a RTGS/CEFT/SLIPS transfer against the funds arranged through the IIA and made payable to **'UB Finance Company Limited IPO - Physical'** bearing the account number **9970101000000281** at **Union Bank of Colombo PLC, Head Office Branch (Branch Code – 997)** prior to 4.30 p.m. local time on the Issue Closing Date.

Information in relation to the Bank Code and Branch Code can be accessed via the following web link:  
<https://ceylonexchange.com.au/bank-codes-for-sri-lankan-banks/>



Cheques or bank drafts or bank guarantees or RTGS/CEFT/SLIPS transfers should be endorsed by the issuing custodian bank to the effect that arrangements have been made to facilitate such payment to be made against funds available in the individual's IIA.

The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application.

Any refund payments to Foreign Investors are made in terms of Section 6.7 of this Prospectus.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Head of the Department of Foreign Exchange of the CBSL.

### **6.3.7. Restrictions Applicable to Foreign Citizens Resident in Sri Lanka**

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee Accounts, only if they possess dual citizenship where one such citizenship is Sri Lankan. **Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form. In case of an online Application, the certified copy of the citizenship certificate should be uploaded under the relevant field.**

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts, or bank guarantees or RTGS/CEFT/SLIPS transfers drawn upon Sri Lanka Rupee accounts maintained with any Licensed Commercial Bank in Sri Lanka or payment gateway in the CDS Web Portal but may do so via an IIA account as detailed in Section 6.3.6 above. **Applications made by foreign citizens not in accordance with the foregoing shall be rejected.**

## **6.4. REJECTION OF APPLICATIONS**

- i. Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company.
- ii. Any Application Form which does not provide the NIC, Passport (where NIC is not available) or Company Registration Number as the case may be, will be rejected.
- iii. Any Application Forms accompanying fund transfers confirmations without the requisite payment references will be rejected.
- iv. Applications delivered by hand or by courier after 4.30 p.m. Local Time on the Issue Closing Date will be rejected. Applications received by post after 4.30 p.m. Local Time on the succeeding Market Day immediately following the Issue Closing Date will also be rejected even if they carry a postmark date earlier than the Issue Closing Date.
- v. Applications made for less than Five Thousand (5,000) New Shares or for a number which is not in multiples of One Thousand (1,000) New Shares will be rejected.
- vi. An Application which does not carry a CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Closing Date or which indicates an inaccurate/incorrect CDS account number shall be rejected and no allotment of New Shares will be made.

- vii. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.
- viii. Applicants should apply only through one investor category and would be permitted to submit only one Application Form. Two or more Applications submitted by the same Applicant either under the same category or under different categories will be construed as multiple Applications and will be rejected.
- ix. The Company reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, as mentioned in Section 6.2.1.
- x. Payment for Applications of New Shares accompanying two or more cheques and bank drafts or multiple direct deposits or bank guarantees or RTGS/CEFT/SLIPS transfers as mentioned in Section 6.3.1 will be rejected at the outset.
- xi. Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation and reason.

## 6.5. BANKING OF PAYMENTS

All cheques and bank drafts received in respect of Applications will not be banked until the Market Day following the Issue Closing Date in terms of the CSE Listing Rules.

## 6.6. BASIS OF ALLOTMENT

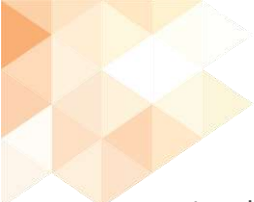
The allotment of the New Shares will be made to the various categories of Applicants, as set out below:

**Table 6-2 Basis of Allotment of New Shares to Various Categories of Applicants**

Investor Category	Percentage of Issue (%)
Unit Trusts*	10%
Retail Individual	40%
Non-Retail	50%
	<b>100%</b>

\* Unit Trust Investors should be growth or balanced unit trusts operated by managing companies licensed by the SEC, where such unit trusts comprise of not less than Five Hundred (500) unit holders resident in Sri Lanka who together hold at least 50% of that fund as per the SEC Directive dated March 10, 2011 (Ref: SEC/LEG/11/03/36).

Applications submitted under the Unit Trust Investor Category should be accompanied by a confirmation by the trustee that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rules, 2.1.1(g)(i)(ii)(b).



Local and foreign investor/s who apply for up to a maximum of One Hundred Thousand (100,000) Shares (value of not more than Sri Lanka Rupees One Hundred Thousand [LKR 100,000/-]) will be deemed as Retail Individual Investors for share allotment purposes.

Investors who do not fall under the Retail Individual Investor Category and Unit Trusts Investor Category stated above will be deemed as Non-Retail investors for share allotment purposes.

In determining the basis of allotment within the Retail Individual Investor Category, investors who subscribe for a smaller number of shares shall be given priority.

The investor categories have been selected to ensure the broadest possible spread of shareholders while treating all Applicants in a fair manner as may be decided by the Board at its discretion.

In the event of an undersubscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Non-Retail Investor Category, Retail Individual Investor Category will be given first priority followed by Unit Trust Investor Category in the allotment of the undersubscribed New Shares.

In the event of an oversubscription in any one or more of the categories mentioned above, the basis of allotment will be decided by the Board of Directors in a fair and equitable manner.

The Board of Directors will endeavor to decide and announce to the CSE the basis of allotment as soon as practicable so as to ensure compliance with the Listing Rules. Upon the allotment being decided, an announcement will be made to the CSE.

The successful Applicants will be informed of their allotment within Ten (10) Market Days from the Issue Closing Date.

## **6.7. REFUNDING/RETURNING OF FUNDS ON PARTIALLY ACCEPTED/REJECTED APPLICATIONS**

Where an Application is accepted only in part or rejected in its entirety, the balance/entirety of the monies received on an Application as the case may be, will be refunded. Such refunds will be made on or before the expiry of Eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. As required by Rule 2.4(l) of the CSE Listing Rules, Applicants would be entitled to receive interest at the rate of last quoted AWPLR published during the immediately preceding week by the CBSL or any other authority (in the event the CBSL ceases to publish the AWPLR) plus five per centum (5%) for the delayed period on any refunds not made by the expiry of the aforementioned period.

It is the responsibility of Foreign Investors to ensure that their IIA details are accurately provided under 'Refund Payment Instructions' on the Application Form to forward the refund to the IIA through which the Application was made.

With regard to applications which have been fully rejected due to any of the reasons specified in this Section 6, neither the Company nor the Registrars to the Issue nor CDS shall be liable for any delay on the refund of monies to the Applicant if the Applicant has paid the Application monies through a direct deposit or a RTGS/CEFT/SLIPS and has not indicated his NIC Number or the CDS account number as the payment reference.



## Refund Via Sri Lanka Inter-bank Payment Systems (SLIPS)

1. The refund payment will be made to the bank account specified by the Applicant through the SLIPS on or before the expiry of Eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of Applicant's bank account in the Application Form. However, SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL with effect from October 29, 2010, as per Operating Instruction Circular No. 11/2010 dated October 25, 2010.
2. Even if the Applicant has requested for SLIPS transfers for refund amounts and submitted accurate and complete details of the bank account in the Application Form, refund amounts exceeding Sri Lanka Rupees Five Million (LKR 5,000,000/-) will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
3. In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the bank together with the Registrars to the Issue or CDS will send the refund cheques to such Applicants at the earliest possible time and the Applicant should not hold the bank or the Registrars to the Issue or CDS accountable for such delays.

## Refunds Via Crossed Cheque

1. If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account with respect to refunds via SLIPS, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
2. A request for cancellation of crossing on the refund cheque, in instances where the Applicant does not maintain a current account, should be addressed to the Registrars to the Issue in writing, stating the cheque number and the fact that the Applicant does not maintain a current account. The refund cheque and a clear photocopy of the Applicant's NIC should accompany the letter.

In the event of a refund cheque being delivered by hand by a third party to the Registrars to the Issue for cancellation of crossing, a letter of authorisation signed by the Applicant stating the NIC number of such third party should also be presented with the refund cheque. Refund cheques on which the crossings have been cancelled by the Registrars to the Issue should preferably be collected in person or by third party authorised by the Applicant. Where an Applicant has requested the delivery of the cheque on which the crossing has been cancelled via post, such cheque will be sent at the risk of the Applicant.



## **6.8. SUCCESSFUL APPLICANTS AND CDS LODGMENT**

The New Shares allotted will be directly uploaded to the respective CDS accounts given in the Application Forms before the expiry of Twelve (12) Market Days from the Issue Closing Date as per the CSE Listing Rules.

Upon completion of crediting the respective CDS accounts, a written confirmation will be sent to the shareholder within Two (2) Market Days of crediting the CDS accounts by ordinary post to the address provided by each Applicant in their respective Applications.

Applicants have the option of having their Shares ‘locked’ in the CDS. Shares that are ‘locked’ will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her ‘locked’ balance in the CDS account, the said Shares would be deposited to Applicant’s ‘trading’ balance in the CDS account.

Refer Section 9.8 for the definition of ‘locked’.

New Shares shall not be transferable by the shareholders during the period between the date of allotment of the New Shares and up to the date of listing (excluding the date of listing) of the Ordinary Shares on the CSE. Further, the Company shall not allot any Shares (other than the allotment of New Shares) or transfer existing Shares during the interim period between the date of the Initial Listing Application and the date of listing of the Shares of the Company.

Upon the Ordinary Shares being listed on the CSE, such Shares shall be freely transferable except for those Shares mentioned in Section 9.8 of this Prospectus, which will be locked-in to be in compliant with CSE Listing Rules 2.1.1(d).

## **6.9. DECLARATION TO THE CSE AND SECONDARY MARKET TRADING**

The Company will submit to the CSE a declaration on the Market Day (“Declaration”) immediately following the day on which the Applicants’ CDS accounts are credited with the New Shares. Trading of the Ordinary Shares on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

## 7. BUSINESS OPERATIONS OF UB FINANCE COMPANY LIMITED

### 7.1. OVERVIEW OF UBF

The Company was incorporated in 1961 under the Companies Ordinance No. 51 of 1938 as “The Finance & Guarantee Company Limited” and was initially registered under the Control of Finance Companies Act No.27 of 1979 on November 27, 1980. Thereafter, the Company obtained a license in terms of the Finance Companies Act No. 78 of 1988 to conduct finance business on March 04, 1991, which had been renewed on an annual basis until 2005. Subsequent to the issuance of Finance Companies (Registration and Licensing) Rule No.01 of 2005, under Finance Companies Act No. 78 of 1988 the Company has been issued with a license on December 30, 2005 which had been maintained to date by paying an annual licensing fee.

The Company was taken under the control of Monetary Board of the Central Bank of Sri Lanka on March 31, 2009 with the appointment of Merchant Bank of Sri Lanka PLC (MBSL) as the Managing Agent and later restructured under the direction of the CBSL and the supervision of MBSL. As a part of balance sheet restructuring, a portion of customer liabilities including deposits of the Company at the time were converted into Non-Voting Shares on which Voting Rights were conferred in March 2022.

At the request of the Monetary Board of the Central Bank of Sri Lanka, Union Bank of Colombo PLC (UBC) together with its US based strategic investment partner ShoreCap II, invested LKR 1.15 Bn on November 02, 2011 to acquire the Company to run as a going concern. Subsequently, the Company was re-registered under Companies Act as “UB Finance Company Limited” on April 25, 2012.

Prior to the aforementioned acquisition by UBC and ShoreCap II, the top 10 Ordinary Voting Shareholders were as follows.

	Full Name	Number of Shares held prior to the acquisition	Number of Shares (Post Consolidation)	% Ownership	No. of Shares at present
1	F & G Property Developers (Pvt) Ltd	660,000	204,600	44.0%	207,489
2	F & G Real Estate Co. Ltd	580,000	179,800	38.7%	182,689
3	F & G Management Services (Pvt) Ltd	50,000	15,500	3.3%	15,500
4	The Finance Co. Ltd	48,643	15,079	3.2%	15,079
5	Ceylinco Insurance Co. Ltd (Life)	30,000	9,300	2.0%	9,300
6	Ceylinco Insurance Co. Ltd (General)	30,000	9,300	2.0%	9,300
7	Seylan Bank Asset Management Ltd	30,000	9,300	2.0%	9,300
8	Ceylinco Ltd	20,000	6,200	1.3%	6,200
9	Ceylinco Housing & Real Estate Co. Ltd	13,333	4,133	0.9%	4,133
10	The Golden Key Credit Card Co. Ltd	10,000	3,100	0.7%	3,100
<b>Total</b>			<b>456,312</b>	<b>98.1%</b>	<b>462,090</b>

Top 10 Shareholders mentioned above have been significantly diluted and currently holds only 257,490 shares which amounts to a shareholding percentage of 0.01% of the Company at present.

Post-acquisition, the Company was restructured and rebranded and launched as UB Finance Company Limited in July 2012, as one of the LFCs owned by a Licensed Commercial Bank. UBF offers its customers the unique experience of the versatility of a finance company backed by the strength of a bank.

Upon the completion of the said acquisition, the Board of Directors comprised of prominent high net worth Sri Lankan business personalities, professionals with relevant expertise and other foreign investors, took up the challenge of reviving the Company with the Senior Management to fast track the growth of the Company. The Senior Management articulated the overall strategy of the Company along with setting up of policies and procedures, while recruiting a new team to build the brand and steer the Company towards profitability in an extremely volatile environment.

Stability of the Company and compliance with the CBSL regulations being of paramount importance, with the guidance of the Board of Directors of both UBC and UBF the Company has been able to ensure compliance with all CBSL capital adequacy and minimum regulatory core capital requirements.

Following table denotes the pre and post IPO core capital position of UBF;

	<b>The applicable minimum regulatory Capital Adequacy Requirement (CAR) (%) (as at 31.12.2022 )</b>	<b>The current CAR position of the company – pre IPO (%) (as at 31.12.2022)</b>	<b>The CAR position of the company – post IPO (%)</b>
Tier I CAR	8.5%	28.6%	29.2%
Total CAR	12.5%	28.6%	29.2%

The Company has overcome challenges throughout the last decade to record a significant progress since its acquisition by UBC in 2012 as depicted by the table below and has established itself as one of the leading Licensed Finance Companies in the Financial Services Sector backed by a Licensed Commercial Bank.

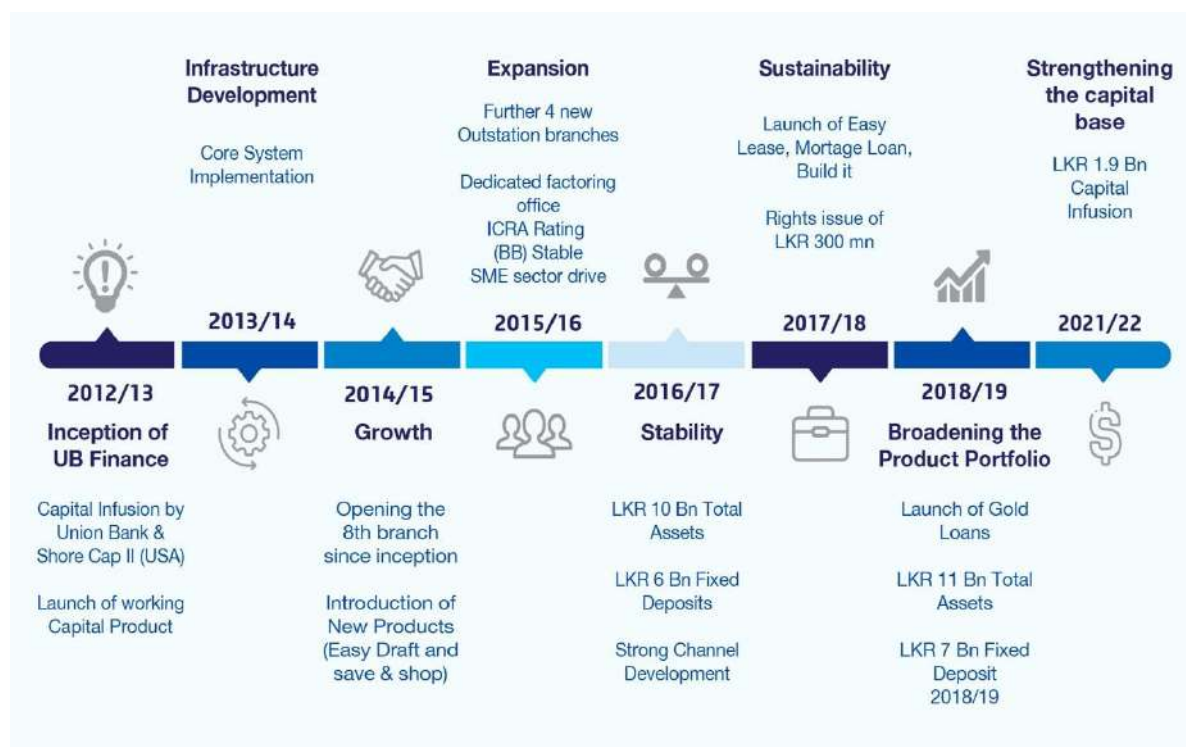
<b>Description</b>	<b>UBF</b>		<b>NBFI Sector</b>		<b>CAGR</b>		<b>Difference</b>
	<b>2012</b>	<b>2022 December</b>	<b>2012</b>	<b>2022 December</b>	<b>UBF</b>	<b>NBFI</b>	
Total Assets (LKR Mn)	2,148	10,055	596,600	1,611,211	17.15%	10.72%	6.43%
Net Accommodation (Gross Loans net of Provisions) (LKR Mn)	747	8,671	471,700	1,199,159	28.58%	10.03%	18.55%
Deposit Base (LKR Mn)	1,246	6,427	254,100	864,469	18.32%	13.38%	4.94%

*Sources: Audited Financial Statements of UBF for FY 2012 and Interim Financial Statements (unaudited) for the period ended December 31, 2022 which can be accessed via <http://www.ubf.lk>, CBSL Annual Reports 2012 and provisional data published for 2022 accessed via <https://www.cbsl.gov.lk/en/statistics> on March 05, 2023*

*\*Net Accommodations = Stock out on Hire, Lease and Easy Payment + Amounts due from Hire Purchase, Lease and Loans + Loans and Advances + Amounts due from Related Parties*

Please refer Section 2 Industry Overview and Section 4 Company Analysis of Annexure A for an understanding of the relative position of the Company compared to the industry.

## 7.2. KEY MILESTONES OF UBF



## 7.3. VISION AND MISSION OF UBF

The Vision and Mission of the Company are given below.

### VISION

“To be Sri Lanka’s preferred financial solution provider”

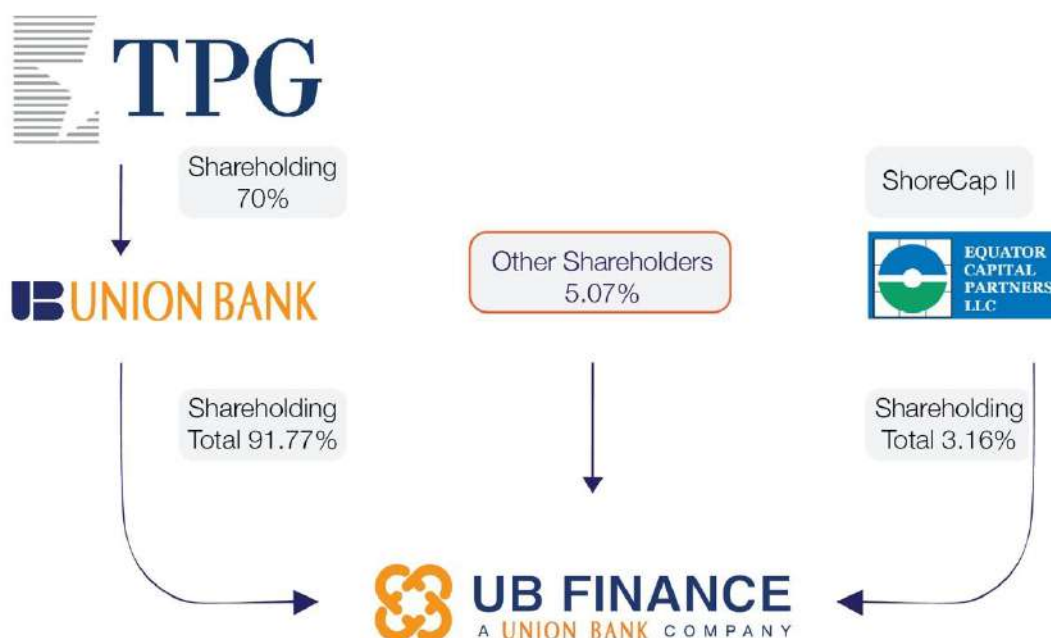
### MISSION

- To provide our **DEPOSITORS** with secure and maximized returns.
- To provide our **CUSTOMERS** leverage to achieve their aspirations.
- To maximize **SHAREHOLDER** value.
- To empower our **PEOPLE** to deliver the values of the Company.
- To operate within the **REGULATORY** Framework.
- To be a responsible corporate citizen towards the betterment of **SOCIETY**

## 7.4. GROUP STRUCTURE AND MAJOR SHAREHOLDERS OF UBF

The Union Bank Group consists of the parent company UBC and its subsidiaries UBF and National Asset Management Limited (NAMAL).

The main Shareholders of UBF comprise of UBC (91.77%) and ShoreCap II (3.16%), while TPG (formally known as Texas Pacific Group) holds a stake of 70% in the UBC.



**Union Bank of Colombo PLC (UBC)**, established in 1995 is a licensed commercial bank listed on the CSE. UBC offers its customers a full range of products and services to retail and commercial sectors and has Sixty Seven (67) branches across the island.

**ShoreCap II** is a US based investment management firm managed under the Equator Capital Partners LLC, that offers portfolio management, consulting and financial planning services. The firm's ShoreCap family has funds invested in financial services in Asia and Africa and has raised US Dollar One Hundred and Eight Million (USD 108,000,000). Equator's first two funds, ShoreCap I and ShoreCap II have invested in Twenty-Five (25) financial institutions in the region.\*

**TPG** is a leading global private investment firm founded in 1992 with approximately US Dollar Eighty Five Billion (USD 85,000,000,000) of Assets Under Management (AUM) and offices in USA, Europe, and Australia and has been present in Asia since 1994. TPG has extensive experience with global public and private investments that span a variety of industries including financial services, travel and entertainment, technology, energy, industrials, retail, consumer, real estate, media and communications and healthcare.





\* Source: Official Website of Equator Capital Partners LLC, accessed via <https://www.equatorcap.net/about/> on March 05, 2023

## 7.5. PRODUCT PORTFOLIO OF UBF

The product portfolio at UBF has been designed with market expertise and dynamic customer centric focus. Currently with the dynamic market conditions along with profitable product analysis has skewed the focus into two dimensions; asset backed lending and investments products.



## 7.6. INVESTMENT PRODUCT PORTFOLIO

Investments at UBF are in the form of savings, and fixed deposits, offering several savings and investment plans under each category such as;

<b>General Savings Accounts</b> 	Savings Deposits of UBF offer an attractive interest rate to the depositors while value added services are provided on request. UBF is looking into expanding the savings deposit base, capitalising on their current strong equity position.
<b>Standard Fixed Deposits</b> 	Fixed deposits via retail investors construct a major portion of investments. The focus of the immediate future is to acquire new and diverse investors via strategic and marketing efforts by utilising its diversely located branch network.
<b>Build-it Fixed Deposits</b> 	This product was designed to onboard entry level depositors who have the opportunity to grow their investments by saving monthly. This is a key product in the product portfolio.
<b>Interest Paid Upfront or Save N Shop</b> 	A product that caters to the target market that is looking to manage their cashflow needs upfront, this product enables customers to receive their interest at the start of the tenure rather than waiting for monthly or end of term interest payouts.

## 7.7. LENDING PRODUCT PORTFOLIO

UBF's lending products are focused with asset backed lending such as vehicles, properties, gold, deposits, and income agreements such as rent factoring. These facilities are made available to retail Individuals, SMEs, and corporate and other institutions registered in Sri Lanka with the following products;

<b>Leasing</b> 	Provides Leasing facilities for brand new, reconditioned and registered vehicles. In light of the prolonged import restrictions UBF has now pivoted its focus on second-hand vehicle-based leasing.
<b>Easy Lease</b> 	Easy Lease also can be obtained on similar types of assets as Easy Draft, new/pre-owned vehicles, land or fixed deposits. High flexibility and less paperwork have enhanced the attractiveness of this product to the customers.

## Loans

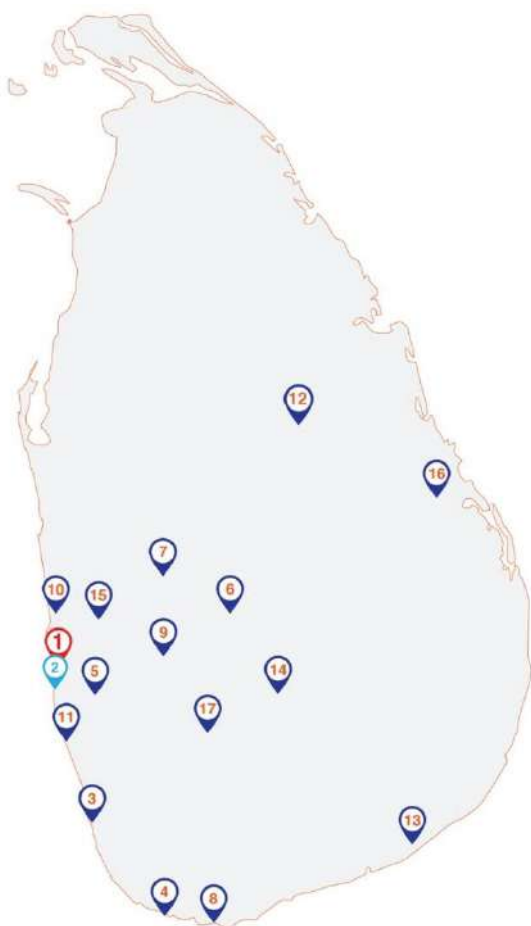
Working capital requirements in the current economic conditions can be challenging, UBF recognises this and offers loans for various personal and business requirements at very competitive market rates.

<b>Gold Loan</b> 	<p>This is one of the key growth product areas of UBF, essentially a lending product with a collateral pledge. The Company is focused on offering competitive interest rates for their customers compared to the market, while charging minimum service fees. It is the company's projections that Gold Loans will continue to be a key product driving both growth and profitability.</p>
<b>Special Loans</b> 	<p>Special Loans are a type of asset backed loans that can be obtained on property or vehicles with the ability to obtain loan facilities against market valuations of the vehicle or land.</p>
<b>Easy Draft</b> 	<p>This product is a short-term asset backed credit facility that serves the urgent cash requirements of customers. These schemes are highly flexible and simple with easy settlement options and minimum documentation. These facilities can be obtained on new/pre-owned vehicles, land or fixed deposits.</p>
<b>Mortgage Loans</b> 	<p>Mortgage Loans are provided to those who are in need of assistance to build a new house, consolidate debt or expand the business. The loan is granted against the mortgage of security of an immovable property.</p>
<b>Rent Factoring</b> 	<p>Geared towards easing the cash flow and cash collection for many businesses, this product provides the ability to obtain a facility by assigning the monthly rent income to UBF from a building rental, with the rent collection directly done by UBF.</p>

## 7.8. BRANCH NETWORK OF UBF

The UBF network is spread across the country and branches are situated on key routes and at major business hubs to channel and drive business activity. The figure below depicts the current branch network of UBF.

In addition to its own branch network, UBF also capitalises on group synergies, a strong supplier chain of dealers, brokers and insurers as well as a network of other business partners to spread its footprint across the Country. UBF may consider the possibility of expanding their branch network depending on the developments in the macro-economy of the country, subject to approval of the CBSL.



①	Head Office-Colombo
②	Premier Office
③	Ambalangoda
④	Galle
⑤	Kadawatha
⑥	Kandy
⑦	Kurunegala
⑧	Matara
⑨	Mawanella
⑩	Negombo
⑪	Panadura
⑫	Polonnaruwa
⑬	Tissamaharama
⑭	Nuwara Eliya
⑮	Gampaha
⑯	Kalmunai
⑰	Ratnapura

## 7.9. HUMAN RESOURCES

### Overview

Human Capital plays a key role in delivering service excellence in the Financial Service Sector and the employees of UBF have been instrumental in achieving the Company's numerous milestones since its establishment. As of December 31, 2022, the Company has 313 employees across all branches.

Table below depicts the breakdown of the employees of UBF.

Employment Position	Number of Employees
Senior Management	15
Middle Management	59
Executives	205
Trainees	26
Office Administration	8
<b>Total</b>	<b>313</b>

Employment Gender Composition	Number of Employees
Male	192
Female	121
<b>Total</b>	<b>313</b>



## Human Resource Strategy at UBF

UBF is an equal opportunity provider with a performance driven service oriented and integrity-based culture which aligns with the overall strategy and values of the Company and Union Bank Group. The Human Resource (HR) policies and strategies are constantly reviewed and upgraded to match with the latest HR management related developments.

The human capital of UBF consists of many young driven individuals who are mentored, trained and fostered into the UBF team. The Company motivates its staff through fair and equitable performance-based incentive schemes, training and skill development opportunities and reward systems. UBF is consistently training and developing the team to ensure that they are an essential resource for the Company. These training sessions are carried out externally, internally and on-the-job to increase the efficiency of employees.

The Company's horizontal structure and ever-present team spirit and resilience has enabled UBF to swiftly and seamlessly navigate through the years while successfully overcoming multiple challenges.

The employees of the Company are not members of any labour union and hence, the Company has not entered into any agreements with labour unions.

## 7.10. UBF KEY STRENGTHS

### Backed by a Leading Commercial Bank

As a subsidiary of UBC, the Company mirrors the governance structure and values of the bank and leverages on the expertise of group resources for guidance in business operations, treasury management, risk management and good governance to offer its customers the unique business proposition of “the versatility of a finance company backed by the strength of a bank”.

The equity infusion of LKR 1.96 Bn by the parent company via a Rights Issue (morefully described under Section 9.4 Details of the Rights Issue) in October 2021, enabled UBF to expand its lending portfolio while bolstering the deposit base benefits of which are expected to materialise in the years to come. UBF is further strengthened by the appointment of diversely experienced board members representing TPG, UBC and ShoreCap.

### Strong Leadership Team

The Company is led by a highly experienced Corporate Management Team who have garnered a multitude of diverse business skills over the years which has enabled the implementation of Company's vision and values while boosting the moral and motivating employees. The current Senior Management of the Company counts over Four Hundred (400) years of cumulative experience in the industry. UBF has gained competitive advantage through the Corporate Management Team's skill and expertise in identifying and seizing business opportunities at the right time to be ahead of the competition.

The Company has also been able to optimise its operations through the management team's in-depth knowledge of policies, processes, documentation and systems enabling the Company to adapt to the needs of its clients while crafting and delivering financial products in a precise and timely manner.



### **Loyal Customer Network**

The client base of UBF consists of loyal and lucrative lending and deposit customers which has been a result of structuring a strong network with local communities and other stakeholders across the country. This was made possible by its dedication to building strong connections with local communities and other stakeholders through a well-distributed network across the country. Exceptional service standards maintained year after year have also kept a constant stream of business flowing through these well-established channels.

### **Asset Backed Lending**

The Management's resolute decision to continuously focus on asset backed lending (consisting mainly of vehicles, property and gold), maintain prudent Loan to Value (LTV) ratios, conduct comprehensive credit evaluations and carry out focused recoveries and arrears management has served the Company well and enabled UBF to stay steady during this period of uncertainty.

## **7.11. FUTURE DIRECTION OF UBF**

### **Higher Focus on Asset backed Lending**

UBF plans on expanding its product range and expects to continue to provide asset backed lending products structured by a team of specialised professionals. To gain competitive advantage over other NBFIs in the industry, a strategic plan to restructure the dealer network while building additional strategic partnerships is underway.

The marketing team of UBF plays a vital role in strengthening the business lending of the Company by carrying out various promotional campaigns which will give rise to higher volume of finance products and a larger number of satisfied customers leading to higher profitability. Additionally, onboarding of new tools in marketing communication and digital and social media platforms augurs well towards expanding the Company's reach and creating new opportunities.

### **Sustainable Credit Management**

UBF constantly updates its internal credit rating system to identify the recovery potential of the prospective customers which helps the Company maintain better profitability levels. The management also continues to assess and lower the impairment cost via a comprehensive process of controlling the portfolio bucket movements.

Furthermore, the Company has deprioritized poorly performing product categories such as factoring and cheque discounting in order to streamline its product portfolio. The management is also taking action to develop new sources of funding including fixed deposits which further increase and diversify the profitability.

### **Core IT System Development**

A well-developed IT system enables an entity to distinguish itself from competitors and become more competitive. In this light the IT infrastructure of the Company is in the progress of being upgraded with latest high-capacity equipment which will enhance the core IT system in terms of speed and efficiency. UBF further plans to revamp the core IT system with new technologies which will provide the customers a greatly enhanced user experience including integration of the IT systems with ATMs as a steppingstone to expand the savings deposit base and digital platforms such as an E-Wallet.

## Lean Management Focus

Lean Management not only improves the flexibility of the Company but also the quality of its operations. Hence, UBF constantly reviews and identifies the major cost drivers of the Company and periodically prepares strategic plans to eliminate non-value adding activities which will eventually lower the costs of the Company.

## 7.12. FINANCIAL SNAPSHOT OF UBF

Financial Snapshot of UBF as of December 31, 2022 is as follows:

<i>Financial Metric</i>	<i>9 months ended December 31, 2022 * (LKR Mn)</i>
<i>Income</i>	<i>1,520.8 Mn</i>
<i>Net Profit After Tax</i>	<i>(169.4) Mn</i>
<i>Total Assets</i>	<i>10,054.9 Mn</i>
<i>Growth in Total Assets (31.12.21-31.12.22)</i>	<i>10.0%</i>
<i>Total Shareholders' Funds</i>	<i>2,641.9 Mn</i>
<i>Return on Assets</i>	<i>-2.4%**</i>
<i>Return on Equity</i>	<i>-8.3%**</i>
<i>Customer Deposits</i>	<i>6,427.5 Mn</i>
<i>Impairment Charge for Loans and Advances and Other Assets***</i>	<i>317.73 Mn</i>

\*Figures are extracted from unaudited Interim Financials of the Company for the 9 month period ended December 31, 2022

\*\*Annualised

\*\*\* Please refer Note 32.8 – Credit Quality by Class of financial Assets and note 14 – Financial Assets at Amortized Cost in the Audited Financial Statements of the Company for individually impaired loans and advances to customers and total impairment provision respectively

## 8. CORPORATE STRUCTURE

### 8.1. THE BOARD OF DIRECTORS OF UBF

The Board of Directors of UBF strives to provide leadership through effective formulation and execution of policies and procedures to attain the objectives of the Company. The Board assumes ultimate responsibility for Corporate Governance within the Company. As at the date of the Prospectus, the Board comprises Eight (8) Directors of whom One (1) is an Executive Director. The remaining Seven (7) are Non-Executive Directors of whom Three (3) are Independent. Board members are established personnel in their respective professional fields with several serving on the boards of international organizations, collectively providing diversity and balance of skills for effective stewardship.

**Table 8-1 The Board of Directors of UBF**

Name	Designation
Mr. Atul Malik	Chairman/ Non-Executive / Non-Independent
Mr. Sabry Ghouse	Non-Executive/ Independent Senior Director
Mr. Ransith Karunaratne	Chief Executive Officer / Executive/ Non-Independent
Mr. Indrajit Wickramasinghe	Non-Executive /Non-Independent
Ms. Lisa Thomas	Non-Executive / Non-Independent
Mr. Michael J O'Hanlon	Non-Executive / Non-Independent
Mr. Moahan Balendra	Non-Executive/ Independent
Mr. Jayendra Setukavalar	Non-Executive/ Independent

### 8.2. PROFILES OF THE BOARD OF DIRECTORS

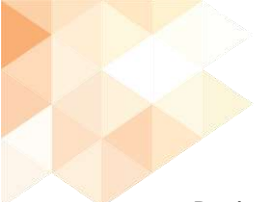
#### **Mr. Atul Malik**

*Chairman/ Non-Executive/Non-Independent*



Mr. Atul Malik was appointed to the Board of UBF on April 17, 2018. He also serves as the Chairman of UBC from October 2017. Mr. Malik is currently an Independent Director of Bob Financials and an Independent director of YES Bank. He is a senior financial services executive with extensive experience and an impressive track record in establishing, expanding and managing businesses across Asian developed and emerging markets.

Prior to joining TPG in October 2017, he was an advisor to General Atlantic (2015 to 2017), the CEO of Maritime Bank, one of the largest private banks in Vietnam (from 2012 to 2015) and a Senior Advisor to Asia Capital & Advisors, a boutique private equity firm (2011 to 2012). During the period from 2007 to 2011, he was the Managing Director/Regional Head Asia-Private and Business Clients of Deutsche Bank with operations covering India, China, and Vietnam. During this period, he was also a member of the DB Asia Pacific Executive Committee and the Global Private and Business Clients (PBC) Executive Committee and was nominated as the Non-Executive Director of DB China Limited.



During his 20 years of service at Citibank that commenced in 1988 with Citibank India, Mr. Malik has held a variety of senior roles, the last of which was as the CEO of Citibank Hong Kong (2004 to 2007), which is the Bank's largest retail and business banking operation in Asia. He was also a member of Citibank's Global Consumer Group Management Committee and the Asia Pacific Executive Committee.

Mr. Malik holds a Masters Degree in Business Administration from the Rice University, USA (1987) and a Bachelor of Technology Degree from IIT Bombay (1985).

### **Mr. Sabry Ghouse**

*Non-Executive / Independent Senior Director*



Mr. Sabry Ghouse was appointed as a Director of UBF on November 16, 2021. Mr. Ghouse was a former Deputy Chairman of Union Bank of Colombo PLC. His banking career spans over Twenty Seven (27) years with leading international banks. He counts Ten (10) years of experience serving in overseas markets. He was employed by American Express Bank, Standard Chartered Bank and Al Rajhi Banking and Investment Corporation of Saudi Arabia and was responsible for the setting up of Retail Banking, allied operations and crafting of strategy at all of these banks to emerge a leader in their chosen market. In 2006 he was appointed as a Director of Retail Banking Al Rajhi Bank Malaysia by its parent Al

Rajhi Banking and Investment Corporation, Saudi Arabia, to develop a retail banking model and set up operations as they made inroads into the Malaysian market. Mr. Ghouse was a former Director of the Credit Information Bureau (CRIB) in Sri Lanka. He currently acts as a Director to Shah Associates Private Limited. He holds a Masters degree in Business Administration (MBA) from the University of Western Sydney, Australia. He also has a Diploma in Computer Systems & Designing, National Institute of Business Management (NIBM).

### **Indrajit Wickramasinghe**

*Non-Executive / Non-Independent*



Mr. Indrajit Wickramasinghe was appointed to the Board of UBF on December 31, 2014. He was appointed as Director/Chief Executive Officer of Union Bank of Colombo on November 15, 2014. He counts over Thirty Two (32) years of management experience in the financial and consumer sectors in both local and multinational companies. He currently serves as a Director and the CEO of Union Bank of Colombo PLC, a Director of Namal Asset Management Limited and a Director of Financial Ombudsman Sri Lanka Limited.

Prior to his appointment as Director/CEO of Union Bank, he served as the Chief Operating Officer of NDB Bank PLC, where he was overseeing all the business areas including Retail Banking, Corporate Banking, SME Banking and Project Finance. Prior to that, he held the position of Vice President of Human Resources, Marketing and Retail Banking, heading Retail Banking function for a period of Seven (7) years. Mr. Wickramasinghe was also a Non-Executive Director of Eagle Insurance/Aviva NDB Insurance, NDB Capital Holdings Limited, NDB Securities (Private) Limited, Development Holdings (Private) Limited and the Credit Information Bureau of Sri Lanka.

He holds an MBA from the University of Sri Jayewardenepura and is a Fellow of the Chartered Institute of Marketing UK, a Member of the Association of Professional Bankers and a Member of the Oxford Business Alumni, University of Oxford.



### **Mr. Ransith Karunaratne**

*Chief Executive Officer / Executive/Non-Independent*



Mr. Ransith Karunaratne took over as the Chief Executive Officer of UBF in November 2012 and was appointed to the Board of Directors in March 2014. Mr. Karunaratne counts over two decades of experience in the Financial Services Sector, during which he successfully launched, grew and managed high quality and profitable credit portfolios. He specialises in the area of factoring. He has been the driving force behind restructuring, rebranding and re-launching of the Company. He was previously employed by LB Finance PLC in the capacity of Deputy General Manager – Corporate Lending, Factoring and Investments.

He also functioned in the capacity of Assistant General Manager – Factoring at Commercial Leasing and Finance PLC and Portfolio Manager at Mercantile Leasing Limited which was later acquired by Nations Trust Bank PLC. He was also employed as the Credit Executive of Ceylinco Securities & Financial Services Limited. He is also involved in several social and community alleviation projects and served for several years on the Board of the Lanka Evangelical Alliance Development Service (LEADS). Mr. Karunaratne holds a Masters Degree in Business Administration (MBA) from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is also a Fellow Member of the Chartered Institute of Management Accountants - FCMA (UK) and in February 2021, he was recognized as one of the 50 top CIMA Icons & Trailblazers in the country.

### **Ms. Lisa Thomas**

*Non-Executive/Non-Independent*



Ms. Lisa Thomas was appointed to the Board of UBF as a nominee of Shorecap II on November 23, 2018.

Ms. Thomas has more than Fifteen (15) years of experience in venture capital and private equity investing, governance and operations in emerging markets. She counts experience in working with over Twenty (20) countries in Africa, Asia, and the Caucasus. Ms. Thomas currently acts as a Director of PACT Global Microfinance Fund.

She is the Founder and Managing Director of Samata Capital, a fund management company dedicated to making private sector investments in small and growing businesses in emerging markets that advance opportunities for women and promote gender diversity. Ms. Thomas co-founded Vested World, a venture fund focused on sub-Saharan Africa and was the Chief Investment Officer of the same. Prior to that role, she was the Director of Investments - Asia for Equator Capital Partners where she managed investments in scaling financial institutions in frontier and emerging markets. Her early career was in investment banking at Merrill Lynch in New York.

Ms. Thomas is the co-founder of Advancing Women in Investing, a collaborative of first time and emerging female capital movers with the goal of ensuring that women capital movers are represented on investment teams and receive backing as managers, particularly in emerging and frontier markets.

Ms. Thomas was an Emerging Leader Fellow at the Chicago Council on Global Affairs and appeared on NPR's worldview to discuss business development in Africa. She has taught and guest lectured at Northwestern University's Kellogg School of Management and is a regular speaker at the University of Chicago Booth School of Business. Ms. Thomas holds an MBA from the University of Chicago Booth School of Business and a Bachelor of Science (Honors) from the University of Oregon.



### **Mr. Michael J O'Hanlon**

*Non-Executive / Non-Independent*



Mr. Michael J O'Hanlon was appointed to the Board of UBF on July 05, 2021. Prior to joining UBF, he joined UBC in October 2015 as a Non-Executive Director and holds the same position to this date. Mr. O'Hanlon is a Senior Advisor to TPG focusing on its financial institution investments. He is currently a Director of the Board of Roosevelt Management Company LLC, a Director of Rushmore Loan Management Services LLC, a residential mortgage loan originator and servicer and an Alternate Director of Kensington Holdings Limited.

He has served on the Boards of other TPG portfolio companies including Shenzhen Development Bank, Korea First Bank and BankThai Public Company Limited.

He holds an MBA Finance & Accounting from the State University of New York at Albany (NY) and a BS in Business Administration from The College of St. Rose.

### **Mr. Moahan Balendra**

*Non-Executive/ Independent*



Mr. Moahan Balendra was first appointed to the Board of UBF as an Alternate Director to a foreign based Director in the year 2017 and is currently serving on the Board as an Independent Non-Executive Director. He counts extensive work experience in both the UK and Sri Lanka. Mr. Balendra heads the law firm Sinnadurai Sundaralingam & Balendra, which was established in the early 1960s. He also serves as a consultant to many multinational companies, indigenous companies and individuals. He also sits on the Boards of Serendib S B Corporates (Private) Limited, S B Realtors (Private) Limited and Migrategi (Private) Limited.

Mr. Balendra is an Attorney at Law, Fellow of the Association of Chartered Certified Accountants (FCCA) and a Justice of the Peace. His areas of expertise are Commercial and Corporate law and inward investment.

### **Mr. Jayendra Setukavalar**

*Non-Executive/Non-Independent*



Mr. Jayendran Setukavalar was appointed to the Board of UBF on November 17, 2022. Mr. Setukavalar has over 48 years of experience in the field of Auditing, Accounting and Finance and has served in Key Management positions and Boards in various industries. He also worked overseas for three years with M/S PricewaterhouseCoopers in the United Arab Emirates.

He also serves on the Board of Ceylinco Life Insurance Limited as an Independent Non-Executive Director and a member of the Board of Governors of the CMS Schools in Sri Lanka and is the current Chairman of its Finance Committee. He previously served on the Boards of A. Baur & Co Ltd., Baur Air Services Limited, A. Baur & Company (Travel) Limited, A. Baur Trading (Private) Limited., Baur Agri Exports (Private) Limited, Swiss Trading Group (Private) Limited, Swiss Hotels Management Academy (Private) Limited and Ferntea Limited.

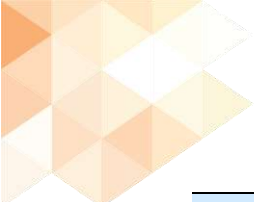
He is a Fellow of the Institute Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants-UK, Certified Global Management Accountants (CGMA), Certified Management Accountants Sri Lanka, and a Fellow of the Institute of Certified Professional Managers (FCPMSL).

Mr. Setukavalar was awarded scholarships by the British Foreign and Commonwealth Office UK, UNIDO and the Colombo Plan and has attended Senior Management Program's at INSEAD-France, IBM Rochester USA, KONICA South Korea and JICA Japan.

### 8.3. OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

**Table 8-2 Other Directorships Held by the Directors of UBF**

Name	Other Directorships Held
<b>Mr. Atul Malik</b> <i>Chairman/ Non-Executive/Non-Independent</i>	<b>Chairman</b> , Union Bank of Colombo PLC <b>Independent Director</b> , Bob Financials <b>Independent Director</b> , Yes Bank Limited
<b>Mr. Sabry Ghouse</b> <i>Non-Executive/ Independent</i>	<b>Director</b> <ul style="list-style-type: none"> <li>Shah Associates Private Limited</li> </ul>
<b>Mr. Indrajit Asela Wickremasinghe</b> <i>Non-Executive /Non-Independent</i>	<b>Director/Chief Executive Officer</b> , Union Bank of Colombo PLC <b>Director</b> <ul style="list-style-type: none"> <li>Namal Asset Management Limited</li> <li>Financial Ombudsman Sri Lanka (Guarantee) Limited</li> </ul>
<b>Mr. Ransith Nishantha Karunaratne</b> <i>Chief Executive Officer / Executive/ Non-Independent</i>	-
<b>Ms. Lisa Gayle Thomas</b> <i>Non-Executive / Non-Independent</i>	<ul style="list-style-type: none"> <li><b>Director</b>, PACT Global Microfinance Fund</li> </ul>
<b>Mr. Michael J O'Hanlon</b> <i>Non-Executive/ Non-Independent</i>	<b>Director</b> <ul style="list-style-type: none"> <li>Roosevelt Management Company LLC</li> <li>Rushmore Loan Management Services LLC</li> <li>Union Bank of Colombo PLC</li> <li>Kensington Holdings Limited</li> </ul>
<b>Mr. Raj Moahan Balendra</b> <i>Non-Executive / Independent</i>	<b>Director</b> <ul style="list-style-type: none"> <li>S B Realtors (Private) Limited</li> <li>S B Corporates (Private) Limited</li> <li>Migrategi (Private) Limited</li> </ul>



Name	Other Directorships Held
Mr. Jayendra Setukavalar	<b>Director</b> <ul style="list-style-type: none"> <li>Ceylinco Life Insurance Limited</li> </ul> <b>Governor</b> <ul style="list-style-type: none"> <li>CMS Schools in Ceylon</li> </ul>

#### 8.4. DIRECTORS' INTEREST IN SHARES

None of the Directors of UBF has any interest in the shares of the Company as at date of submission of Initial Listing Application to the CSE (i.e. March 20, 2023).

#### 8.5. SALE AND PURCHASE OF UBF SHARES BY DIRECTORS

There have been no share transactions made by Directors of UBF during the one-year period immediately preceding the date of the Prospectus.

#### 8.6. DIRECTORS' INTERESTS IN ASSETS

None of the Directors of UBF has any interest in any assets acquired, disposed or leased by the Company during the past Two (02) years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed or leased during the two years succeeding the IPO.

#### 8.7. DIRECTORS' INTERESTS IN CONTRACTS

There are no contracts or arrangements in force as of the date of the submission of the Initial Listing Application in which the Directors of UBF are materially interested in relation to the business of the Company.


#### 8.8. STATEMENT – BOARD OF DIRECTORS

No Director or a person nominated to become a Director of the Company has been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he/she was a partner or any corporation of which he was an executive officer.
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

#### 8.9. CORPORATE GOVERNANCE PRACTICES

The Board of Directors of UBF believes that Corporate Governance is a gateway for long-term sustainability enhancing value for the stakeholders through ethical business conduct. The Board has the prime responsibility for managing affairs at UBF in a fair and transparent manner. The Board of UBF ensures that the Corporate Governance guidelines and best practices are strictly followed. The Board is aware of its inherent responsibility to disclose timely and accurate information regarding the financial performance as well as navigating the governance of the Company through its leadership. The Board ensures that the necessary processes are in place to review and evaluate the Company's operations.



The Board being responsible for the Company's Corporate Governance, oversees how the Management serves and protects the long-term interests of all its stakeholders. UBF believes that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance. This is implemented through the careful selection and maintenance of a well-balanced and diversified Board.

In view of the best practice in Corporate Governance, the Board has delegated certain responsibilities to the following committees of the Board. The Committees deal with relevant issues according to the Terms of References of each committee and make recommendations to the Board.

In line with Finance Companies (Corporate Governance) Direction No.03 of 2008 (as amended) issued by the CBSL, Corporate Governance requirements stipulated under the CSE Listing Rules (where applicable) and such prudential norms, the Company has set up following Board appointed committees:

- Audit Committee
- Human Resources & Remuneration Committee
- Related Party Transactions Committee
- Integrated Risk Management Committee
- Credit Committee
- Strategic Planning Committee
- Nominations Committee
- IT Steering Committee

Furthermore, the Company is currently in the process of adhering to the provisions of Direction No. 05, 2021. Provisions applicable as at this date have been complied with. Please note that with regard to other provisions a transition period up to 2024 is allowed by the CBSL for NBFIs.

#### **8.9.1. The Board Audit Committee (BAC)**

The Audit Committee is a Board sub-committee that comprises of Three (3) Non-Executive Directors of whom Two (2) are Independent Directors.

The Committee is chaired by Mr. Jayendra Setukavalar who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

The composition of the Committee is as follows:

<b>Name of Director</b>	<b>Designation</b>
Mr. Jayendra Setukavalar	Chairman Non-Executive/ Independent
Mr. Michael O'Hanlon	Non-Executive / Non-Independent
Mr. Moahan Balendra	Non-Executive/ Independent

The Board Audit Committee assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee has the authority to investigate any matter within its Terms of Reference, and has full access to, and co-operation with, management. The Committee is empowered to:

- Oversee the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards.
- Oversee the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements including the implementation and compliance with guidelines issued by the CBSL.
- Oversee the processes to ensure that the Company's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards.
- The Committee would review the scope and the results of the external audits along with the independence and objectivity of the external auditor.
- Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditors.
- Review the performance of the internal audit function, focusing on the areas of greater risk to the Company using a risk-based audit approach to gauge the effectiveness of the internal control procedures in place and assess whether additional risks emerging do in fact have mitigating controls.
- Continuously emphasise on sustaining ethical values of the Company and in this regard, a Code of Ethics and Whistle Blowing Policy is in place.

#### 8.9.2. Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is a Board sub-committee that comprises of Three (3) Non-Executive Directors of whom Two (2) are Independent Directors

The composition of the committee is as follows:

Name of Director	Designation
Mr. Moahan Balendra	Chairman Non-Executive / Independent
Ms. Lisa Thomas	Non-Executive/ Non-Independent
Mr. Sabry Ghouse	Non-Executive/ Independent

#### Committee responsibilities

The Committee is mainly responsible for the following;

- Recommendation of the remuneration payable to the Executive Directors and Chief Executive Officer of the Company and/or equivalent position thereof, to the Board of the Company. An aggregate Director emolument of LKR 11,656,080/- was paid to the Executive and Non-Executive Directors of UBF for the period ended December 31, 2022.
- Establish and maintain performance and market oriented remuneration policies in relation to Directors, Chief Executive Officer, Key Management Personnel and staff.
- Define the areas of authority and key responsibilities for the Key Management Personnel.

### 8.9.3. Related Party Transactions Review Committee

The Related Party Transactions Committee is a Board sub-committee and comprises Three (3) Non-Executive Directors of whom all Three (03) are Independent Directors.

The composition of the committee is as follows:

Name of Director	Designation
Mr. Sabry Ghouse	Chairman Non-Executive/ Independent
Mr. Moahan Balendra	Non-Executive/ Independent
Mr. Jayendra Setukavalar	Non-Executive/ Independent

#### Committee responsibilities

The Committee is mainly responsible for the following;

- Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures.
- Reviewing in advance all proposed related party transactions of the Company.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulation are made in a timely and detailed manner.

### 8.9.4. The Board Integrated Risk Management Committee (IRMC)

The purpose of the Integrated Risk Management Committee is to assist the Board in performing its oversight function in relation to different types of risks faced by the Company in its business operations and ensure adequacy and effectiveness of the risk management framework of the Company.

The IRMC comprises of Three (3) Non-Executive Directors and One (1) Executive Director. The Risk Manager, Compliance Officer and the Corporate Management Team who manage the risks of business units attend IRMC meetings by invitation.

**The composition of the committee is as follows:**

Names of Directors	Designation
Mr. Michael O'Hanlon	Chairman Non-Executive / Non-Independent
Mr. Indrajit Wickramasinghe	Non-Executive / Non-Independent
Mr. Ransith Karunaratne	Executive/ Non-Independent
Mr. Sabry Ghouse	Non-Executive/ Independent

#### Committee responsibilities

The Committee is mainly responsible for the following;

- Ensure that the Company has the overall risk guidelines and risk management procedures in place.

- Assess all risk categories, i.e. credit, market, interest rate, liquidity, operational, strategic and regulatory risks through appropriate risk indicators and management information.
- Review the adequacy and effectiveness of all management level committees to address specific risks and manage those risks within quantitative and qualitative risks limits as specified by the Committee.
- Monitor and take appropriate actions with the officers responsible for failure to identify specific risks and initiate corrective actions as necessary.
- take prompt corrective actions to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Company's policies and regulatory and supervisory requirement.
- Establish a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.

#### 8.9.5. Board Credit Committee (BCC)

The primary purpose of this Committee is to assist the Board of Directors in performing its oversight function to the credit risk management process. The BCC is comprised of Four (04) Non-Executive Directors out of which Three (03) are Independent including the BCC Chairman.

**The composition of the committee is as follows:**

Names of Directors	Designation
Mr. Sabry Ghouse	Chairman Non-Executive/ Independent
Ms. Lisa Thomas	Non-Executive / Non-Independent
Mr. Jayendra Setukavalar	Non-Executive/ Independent
Mr. Moahan Balendra	Non-Executive / Independent

#### Committee responsibilities

The Committee is mainly responsible for the following;

- Development of a robust credit policy in line with current market conditions
- Approval of delegated authority limits
- Approval of credit proposals which are above the management limit, being the supreme authority to approving credit facilities
- Post credit evaluation
- Authorization of new product development proposals

#### 8.9.6. The Board Strategic Planning Committee

The Board Strategic Planning Committee comprised of Four (4) Non-Executive Directors. The Executive Director/ CEO, and the Corporate Management Team attend the Strategic Planning Committee meetings by invitation.

**The composition of the Committee is as follows:**

Names of Directors	Designation
Mr. Atul Malik	Chairman Non-Executive / Non-Independent
Ms. Lisa Thomas	Non-Executive / Non-Independent
Mr. Indrajit Wickramasinghe	Non-Executive / Non-Independent
Mr. Michael O'Hanlon	Non-Executive / Non-Independent

#### **Committee responsibilities**

The Committee is mainly responsible for the following;

- Oversee and monitor the preparation of the strategic plan and the annual budget of the Company
- Monitor and review periodically the implementation of these strategic initiatives under the strategic plan and evaluate same in line with changes in the market
- Monitor and assess achievement of the financial goals and targets against the annual budget
- Review adequacy and composition of the Company's capital structure in the context of the growth targets and developments in the regulatory framework
- Review and evaluate the strategic investment decisions and advise the Board accordingly

#### **8.9.7. Board Nomination Committee**

The Nomination Committee is a Board sub-committee and comprises Three (3) Non-Executive Directors of whom one (1) is an Independent Director.

**The composition of the Committee is as follows:**

Name of Director	Designation
Mr. Indrajit Wickramasinghe	Chairman Non-Executive / Non-Independent
Mr. Atul Malik	Non-Executive/ Non-Independent
Mr. Sabry Ghouse	Non-Executive/ Independent

#### **Committee responsibilities**

The Committee is mainly responsible for the following;

- Selection and appointment of Directors, CEO and Key Management Personnel (KMPs)
- Review and recommend the composition of the Board and its Sub-Committees and ensure compliance with regulations
- Ensure highest level corporate governance in the Company and among members of the Board of Directors
- Consider and recommend succession plan for the Directors, CEO and KMPs

### 8.9.8. IT Steering Committee

The IT Steering Committee is a Board sub-committee and comprises Three (3) Non-Executive Directors.

**The composition of the Committee is as follows:**

Name of Director	Designation
Mr. Michael O'Hanlon	Chairman Non-Executive / Non-Independent
Mr. Atul Malik	Non-Executive/ Non-Independent
Mr. Indrajit Wickramasinghe	Non-Executive / Non-Independent

### Committee responsibilities

The Committee is mainly responsible for the following;

- Provide leadership for the planning and execution of the Company's IT strategy with the objective of driving the Company's growth
- Review and recommend on IT related policies and procedures
- Responsible for safeguarding the Company's information security infrastructure

## 8.10. CORPORATE MANAGEMENT OF UBF

The Corporate Management led by the CEO, Mr. Ransith Karunaratne are the key decision makers of the Company and are responsible for its continued growth and success. The team brings together industry relevant capabilities and experience which aid the Company in providing comprehensive service to its clientele.

The Corporate Management Team of UBF is as follows:

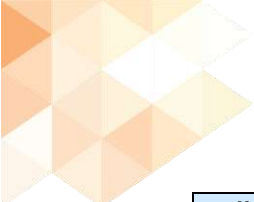
**Table 8-3 Corporate Management of UBF**

Full Name	Experience
<b>Mr. Ransith Karunaratne</b> <i>Chief Executive Officer / Executive Director / Non-Independent</i>	Refer Section 8.2
<b>Ms. Himali Perera</b> <i>Deputy General Manager – Credit and Operations</i>	Ms. Himali Perera joined UBF in 2012 and is currently heading the overall Credit and Operations of the Company. She counts over Twenty Four (24) years of experience in the Banking and Financial Services Sector. Prior to her current position at UBF, Ms. Perera worked as a Manager – Client Services & Operations at LB Finance PLC. She held the post of Credit Officer – Client Services & Operations for Five (5) years at Commercial Leasing Company Limited. Ms. Perera has also worked for Seylan Bank PLC and HSBC Bank as a Banking Executive. She holds a Masters in Business Administration from Cardiff Metropolitan University, UK.

Full Name	Experience
	She has also completed an Executive Leadership Program in Japan organised by the Overseas Human Resources & Industry Development Association Japan and received the President's award from The Institute of Credit Management of Sri Lanka in 2010.
<b>Mr. Asanka Udugama</b> <i>Deputy General Manager – Finance</i>	Mr. Asanka Udugama joined UBF in 2012 and is currently heading the overall Finance Function of the Company. He counts over Fourteen (14) years of experience as a finance professional. Prior to his current position at UBF, Mr. Udugama worked as Manager – Margin Trading at LB Finance PLC and an Assistant Accountant at Commercial Leasing Company Limited for Three (3) years. Mr. Udugama is a CFA Charter holder and an affiliate of the Association of Chartered Certified Accountants UK. Mr. Udugama also holds a BSc. In Applied Accounting from Oxford Brookes University.
<b>Mr. Pradeep Roshantha</b> <i>Assistant General Manager – Channels</i>	Mr. Pradeep Roshantha joined UBF in 2013 and is currently heading the overall Lending Function of the Company. He possesses experience of more than Twenty (20) years out of which Nineteen (19) in the Financial Services Sector. Prior to his current position at UBF, Mr. Roshantha worked at Ceylinco Leasing Corporations Limited and held the post of the Branch Manager – Gampaha for Five (5) years. Prior to that, he worked as Branch Manager – Colombo at Multi Finance PLC for Four (4) years. Mr. Roshantha holds a Diploma in Credit Management from Institute of Bankers of Sri Lanka and a Diploma in Marketing from London Business School.
<b>Mr. Chaminda Weerasinghe</b> <i>Assistant General Manager – Recoveries</i>	Mr. Chaminda Weerasekara joined UBF in 2016 and is currently heading the overall Recovery Function of the Company. He possesses experience of over Twenty Three (23) years in the Financial Services Sector. Prior to his current position at UBF, Mr. Weerasinghe worked as Manager – Recoveries at LB Finance PLC. Prior to joining LB Finance PLC, he worked as an Assistant Manager – Recoveries at Mercantile investment PLC.
<b>Ms. Samantha Deepika Seneviratne</b> <i>Chief Manager – Operations</i>	Ms. Samantha Seneviratne was appointed as the Chief Manager – Operations in 2022 and manages the overall operational function of the Company and possesses more than Seventeen (17) years of experience in the Financial Services Sector. Prior to the same, she held the post of Senior Manager – Fixed Deposits in the Company overseeing the investment division. Ms. Seneviratne commenced her career as an Executive – Savings and Fixed Deposits at the Company when it was operated under the name, Finance & Guarantee Company Limited and steadily developed her career to reach the position of Manager – Fixed Deposits. She holds an MBA from the Mahatma Gandhi University of India and is currently reading for her Bachelor of Business Management (General) from the Kelaniya University.
<b>Ms. Dilini Paiva</b> <i>Senior Manager – Executive Personal Assistant, CEO's Office</i>	Ms. Dilini Paiva joined UBF in 2011 and manages the CEO's back office. She possesses over Twenty Five (25) years of experience in the Finance, IT & Construction Sectors. Prior to UBF, she has worked in the IT Sector as Manager Finance overseeing Finance, HR & Admin at iOM Thailand based in Bangkok & iOM Sri Lanka and in the construction sector at Alpha Industries & Alliance Living as Manager Commercial & Manager Operations.

Full Name	Experience
	She has also worked at Alliance Finance Company PLC as an Executive overseeing collaboration finance & ISO. Ms. Paiva has completed CIMA UK & is a certified ISO 9000 Lead Auditor from SGS Yarsley, UK.
<b>Mr. Chinthaka Hetti Gamage</b> <i>Senior Manager – Marketing Communication</i>	Mr. Chinthaka Hetti Gamage was appointed as the Senior Manager – Marketing Communication in 2013 at UBF and manages the overall Branding and Marketing Function of the Company. He possesses a wealth of experience in branding and marketing and investment and financial products having worked in the Banking and Financial Services Sector for almost Twenty One (21) years. Prior to UBF, he worked at The Finance & Guarantee Company Limited as Manager – Deposit and Senior Manager – Credit and as a Senior Executive at Seylan Bank PLC. Mr. Hetti Gamage holds a Diploma in Marketing.
<b>Ms. Vilashani Bandara</b> <i>Senior Manager – Financial Reporting</i>	Ms. Vilashani Bandara joined UBF in 1997 and counts over Twenty Five (25) years of service in the Company and over Thirty (30) years of experience in Financial Services Sectors (both in private and in the government sectors). Ms. Bandara currently heads the Financial Reporting Division of the Company. She commenced her journey at UBF as a Book Keeper and steadily developed her career to the position of Senior Manager. Prior to joining UBF, Ms. Bandara worked as a Book Keeper in the Finance Department of the Sri Lanka Council for Agricultural Research Policy under the Ministry of Agriculture. She holds a MBA from the Mahatma Gandhi University of India.
<b>Mr. Piyal Weerakoon</b> <i>Head of Legal</i>	Mr. Weerakoon was appointed as the Head of Legal in 2017 and is currently heading the overall legal function of the Company. He is an Attorney-at-Law and has an extensive knowledge of legal matters in the Financial Services Sector, counting more than Twenty Five (25) years of experience in legal profession. Mr. Weerakoon has worked for Seylan Bank PLC where he last served as the Senior Manager Legal. He has also worked for Prime Grameen Finance (currently known as HNB Finance PLC) in the capacity of the Assistant General Manager – Legal. Prior to joining UBF, he had his own practice as an independent legal counsel. In addition to being an Attorney-at-Law, Mr. Weerakoon also holds a BSc. (Business Administration) Special Degree from the University of Sri Jayewardenepura.
<b>Mr. Shadwell Weerasinghe</b> <i>Senior Manager – Investments</i>	Mr. Shadwell Weerasinghe joined UBF in January 2022 to help scale the growth trajectory of the company and is currently heading the Investment Division. He is an Advertising and Telecom Executive counting over Twenty Five (25) years of experience in product strategy, marketing, advertising, digital and promotions. Mr. Weerasinghe was the former Country Manager of IFLIX for Sri Lanka & Maldives with a notable stint at Dialog Axiata PLC for a decade. He holds an MBA from ICAI University.
<b>Mr. Deshal Weerage</b> <i>Senior Manager – Region 2</i>	Mr. Deshal Weerage joined UBF in 2013 and is currently managing Eight (8) branches as the Regional Manager for Region 2. He counts over Fourteen (14) years of experience in the Financial Services Sector. Prior to his current position, Mr. Weerage worked in the capacity of Branch Manager and later as an Area manager at UBF. He has also worked at LB Finance PLC last serving as a corporate Lending & Investment Executive.

Full Name	Experience
	Mr. Weerage has completed the Certificate in Business Accounting from CIMA UK and holds a Diploma in Business from ACBT and a BA in Business Management & Marketing from the Edith Cowan University of Australia.
<b>Mr. Sugath Kumara</b> <i>Senior Manager – Region 1</i>	Mr. Sugath Kumara joined UBF in 2015 and is currently managing Seven (7) branches as the Regional Manager for Region 1. He counts over Twenty Six (26) years of experience in the Banking and Financial Services Sector. Prior to his present position, Mr. Kumara worked as a Branch Manager and Area manager for UBF. He also served at Commercial Bank of Ceylon PLC in documentation, at Commercial Credit & Finance PLC as a Credit Officer and at Commercial Leasing & Finance PLC as a Marketing Officer.
<b>Mr. Ramesh Fonseka</b> <i>Head of Compliance</i>	Mr. Ramesh Fonseka joined UBF in 2022 and is currently managing the overall function of the Compliance department in the capacity of Head of Compliance. He is counting over 37 years of experience in the financial sector and other sectors. He was attached to Prime Finance PLC as Head of Compliance prior to his appointment with UBF. He has served HNB Finance PLC as Assistant General Manager – Compliance and also served as a Director of Lanka Micro Finance Practitioners' Association. Further, he has worked for ESF International Forwarders, Heenatigala Garments Private Limited and Bata Shoe Company as well. Mr. Ramesh holds a Post Graduate Diploma in Business Administration from PIM of University of Jayewardenepura and holds a BSc. In Business Administration from University of Charleston WV USA. In Addition, he also holds a Certificate in Comprehensive Credit Evaluation and Risk Analysis from CBS-CBSL and Certificate in Latest Techniques in Financial Fraud Prevention from CBS-CBSL. Mr. Fonseka is the current Chairman of the Compliance forum of the Finance House Association of Sri Lanka and is a past President of the Postgraduate Institute of Management Alumni Association (PIMA).
<b>Mr. Joy Gregory Fernando</b> <i>Senior Manager – Credit</i>	Mr. Joy Gregory Fernando joined UBF in 2022 and is currently managing the Credit Division. He is counting over 15 years of experience in the Financial Services Sector. He was attached to Sarvodaya Development Finance as Head of Recoveries prior to his appointment with UBF. He has served Mahindra Ideal Finance Limited as Senior Manager Recoveries and also served as a Manager Recoveries of UB Finance Company Limited. Further, he has worked for LB Finance PLC as Recovery Officer as well. Mr. Fernando holds a Special Degree in B.Sc. Business Administration Information Systems from the University of Sri Jayewardenepura.
<b>Ms. Sooriya Nagulanathan</b> <i>Senior Manager – Finance</i>	Ms. Sooriya Nagulanathan joined UBF in 2023 as Senior Manager – Finance. She counts over Twelve (12) years of experience as a finance professional. Prior to her current position at UBF, Miss Nagulanathan worked as Manager Finance at AMW Capital Leasing & Finance PLC and Fintrex Finance Limited and as an External Auditor at KPMG Sri Lanka. Miss Nagulanathan is an Associate Member of Institute of Chartered Accountants of Sri Lanka and an Associate member of Chartered Institute of Management Accountants (U.K).



Full Name	Experience
<b>Mr. Sandun Anurada</b> <i>Manager – IT</i>	Mr. Sandun Anurada joined UBF as Manager IT in 2019 and heads the IT Function of the Company. He is an IT professional with Twenty (20) years of experience in the Information Technology and Financial Services Sectors. Prior to joining UBF, Mr. Anurada worked at Alliance Finance Company PLC as Assistant Manager IT and at ACL Cables PLC as a System Administrator. Mr. Anurada holds a BSc. (Hons) in Business IT from University of Greenwich UK.
<b>Ms. Jenita Jeevakumaran</b> <i>Manager – HR</i>	Ms. Jenita Jeevakumaran joined UBF as Manager – HR in 2022 and heads the HR Function of the Company. She is an HR professional with Sixteen (16) years of experience in the Banking and Finance Services Sector. Ms. Jeevakumaran started her career with Seylan Bank PLC and continued her career with HSBC Bank, LB Finance PLC, Envoy Holdings and Prime Finance PLC. She holds an MBA from Cardiff Metropolitan University, UK and is an Associate Member of the Chartered Institute of Personnel Management (AMCIPM). Ms. Jeevakumaran is also a Certified Management Accountant of the Institute of Certified Management Accountants, Australia.
<b>Mr. Prabash Kalupahana</b> <i>Manager – Administration</i>	Mr. Prabash Kalupahana is a retired Commissioned Officer in the Sri Lanka Air Force and joined UBF in 2017 and heads the Administration Function of the Company. He counts over Twenty Eight (28) years of experience in the field of management and operations. Prior to UBF, he performed his duties as the Commanding Officer at No. 06 and No. 02 Air Defense Radar Squadrons, Officer Commander Operations at the Air Defense Command and Control Center and has also held many other appointments throughout his Twenty (20) year career in the Sri Lanka Air Force. He holds an MA in Employment Studies and a Human Resources Management Degree from London Metropolitan University.

### 8.11. CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of UBF has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer.
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

## 9. CAPITAL STRUCTURE

As at the date of this Prospectus, the Stated Capital of the Company is Sri Lanka Rupees Three Billion Sixteen Million Four Hundred and Eighty-Two Thousand Two Hundred and Forty Seven (LKR 3,016,482,247) constituting of monies received by the Company by the issue of Two Billion Six Hundred and Ninety Nine Million Six Hundred and Eighty Seven Thousand Three Hundred and Eighteen (2,699,687,318) fully paid Ordinary Shares.

### 9.1. AN OVERVIEW OF THE STATED CAPITAL

An overview of the Stated Capital of the Company is set forth below.

**Table 9-1 Overview of Stated Capital**

		As at March 31, 2019	As at March 31, 2020	As at March 31, 2021	As at October 31, 2021 (Post Rights Issue)	As at June 27, 2023 (Post Consolidation)	Subsequent to the IPO
Stated Capital (LKR)		1,028,272,810	1,028,272,810	1,028,272,810	3,016,482,247*	3,016,482,247	3,071,482,247
Number of Ordinary Shares in Issue *	Ordinary Voting Shares	2,077,129,688	2,077,129,688	2,077,129,688	8,490,705,171	2,699,687,318	2,754,687,318
	Ordinary Non-Voting Shares	217,965,347	217,965,347	217,965,347	217,968,692	-	-
	Total Shares in Issue	2,295,095,035	2,295,095,035	2,295,095,035	8,708,673,863	2,699,687,318	2,754,687,318
Number of Ordinary Shares in Issue (as consolidated) *		711,479,460	711,479,460	711,479,460	2,699,687,318	2,699,687,318	2,754,687,318

<sup>+</sup> Stated Capital has been increased by Sri Lanka Rupees One Billion Nine Hundred and Eighty-Eight Million Two Hundred and Nine Thousand Four Hundred and Thirty Seven (LKR 1,988,209,437) through the Rights Issue concluded on October 11, 2021

\*This includes 217,968,692 Non-Voting Ordinary Shares conferred with voting rights on February 10, 2022.

These Non-Voting Shares were issued to the deposit holders of the Company whereby part of the deposits held by them were converted to Non-Voting Shares as per the direction of the CBSL prior to equity infusion by UBC into UBF.

On February 10, 2022, voting rights were conferred on the said Non-Voting Shares in order to ensure that the Company has only one class of Shares prior to the proposed listing. The conferment of voting rights to Non-Voting Shares through a variation of rights was carried out in accordance with the Articles of Association of the Company and Companies Act. It should be noted that no value was attributable for such change in the rights of the Shares. Furthermore, NAV/Share of the Company remained unchanged since the total number of Shares in issue did not change as a result of this exercise. The Company does not have any other classes of shares other than Ordinary Voting Shares. The CBSL approval has been obtained by the Company in this regard.

**Table 9-2 Changes in Stated Capital of the Company**

	Number of Shares	LKR
<b>Balance as of March 31, 2019</b>	2,295,095,035	<b>1,028,272,810</b>
<b>Balance as of March 31, 2020</b>	2,295,095,035	<b>1,028,272,810</b>
<b>Balance as of March 31, 2021</b>	2,295,095,035	<b>1,028,272,810</b>
Issue of 6,413,575,483 New Ordinary Voting Shares and 3,345 Non-Voting Shares @ LKR 0.31 per Share via a Rights Issue on October 11, 2021	6,413,578,828	<b>1,988,209,437</b>
<b>Balance as of December 31, 2021</b>	8,708,673,863 <sup>1</sup>	<b>3,016,482,247</b>
Balance as of March 15, 2022 (Pursuant to Consolidation of Shares on March 15, 2022 at 100 to 31 ratio)	2,699,687,318	<b>3,016,482,247</b>
Issue of 55,000,000 New Shares @ LKR 1/- per Share via the IPO	55,000,000	<b>55,000,000</b>
<b>Balance immediately subsequent to the IPO</b>	<b>2,754,687,318</b>	<b>3,071,482,247</b>

<sup>1</sup> Comprises of 8,490,705,171 Ordinary Voting Shares and 217,968,692 Ordinary Non-voting Shares. As given in Note \* under Table 9-1, Voting Rights were conferred on all Non-voting Shares which resulted in all issued Shares of the Company belonging to one class of Shares. Hence, total Voting Shares as at February 10, 2022 amounts to 8,708,673,863.

## **9.2. FULFILMENT OF MINIMUM REGULATORY CORE CAPITAL AND CAPITAL ADEQUACY REQUIREMENTS**

UBF carried out a Rights Issue on October 11, 2021 through which the Company raised LKR 1.988 Bn and satisfied the minimum core capital and capital adequacy requirements stipulated by the CBSL. Prior to the Rights Issue, UBF's financial performances were impeded by limited loan book growth and certain deposit caps imposed by the CBSL owing to Company's inadequacy of capital. Further, a non-recurring reversal of an accumulated Deferred Tax Asset of LKR 61.7 Mn, following the revision of tax rate from 28% to 24% by GoSL resulted in a loss of c. LKR 41.1 Mn in FY21. Furthermore, the Audited Financial Statements of UBF for FY 2021, contained an "Emphasis of Matter" due to minimum regulatory core capital requirements and regulatory capital adequacy requirements not being met during the said period. In that regard, UBF was considering the following options proposed by the CBSL as specified under note 27.1 of the Financial Statements for the year ended March 31, 2021.

A merger of UBF with UBC, acquisition by a local NBFi or a capital Infusion by the parent company via a rights issue were the three options considered. The Company believed that a merger between UBF and UBC was not a viable option since the two companies serve different market segments, cater to clientele with different risk profiles, offer specific, non-overlapping product portfolios. Since there were no binding offers from local NBFis the Company did not proceed with the second option as well. Having concluded the Rights Issue on October 11, 2021 and complying with the minimum regulatory core capital requirements and regulatory capital adequacy requirements of the CBSL, latest published Financial Statement of UBF for the financial year ended March 31, 2022 contained an unqualified audit opinion.

Even though UBF was able to record an impressive level of profitability during the last quarter of FY 22 (March 2022), subsequent to the Rights Issue, a reversal of profitability was seen during the first quarter of FY 23 (June 2022), where the Company recorded a loss of LKR 49 Mn, owing to the prevailing macro-economic crisis of the country. The Financial Services Sector, especially NBFIs faced several challenges stemming from shortages in essential commodities such as fuel, surging inflation and significant hikes in policy rates etc. UBF saw a major reduction in collection of rentals and disbursement of new loans/leases during the first quarter of FY 23, as the SME borrowers of the Company faced challenges due to the said crisis. This led to significant levels of impairments and interest in suspense being recorded on the financial statements of UBF while experiencing escalating borrowing costs.

The Company has been able to reprice its short-term lending portfolio and all new disbursements of UBF have already been adjusted to reflect the heightened interest rates in the market. The management is of the view that the Company is well set for the recovery due to its almost entirely asset backed portfolio.

### 9.3. DETAILS OF TRANSFER OF SHARES

Following are the details of Share transfers during the period of Twelve (12) months immediately preceding the date on which the Initial Listing Application was submitted to the CSE (i.e. March 20, 2023).

Date of Transfer	Prior to the Consolidation / Post Consolidation	Transferor	Transferee	Description and the Circumstances that led to Transfer	Type of Shares	Number of Shares
09.12.2022	Post	Ms. Geethma Arunodhini Liyanage	Ms. Gallage Aruna Sirimalee Wickramasinghe Liyanage	Gifting at the request of the Shareholder	Voting	40,913
09.12.2022	Post	Ms. Merlyn St. Agnes Naysum Soza	Mr. Dharini Dupal Anthony Soza	Gifting at the request of the Shareholder	Voting	432,847
09.12.2022	Post	Mr. Gerard Jeevananthan David	Ms. Immaculate Joyce David	Gifting at the request of the Shareholder	Voting	17
09.12.2022	Post	Mr. B. J. P. H. Terrace De Zoysa	Mrs. Munasingha Priyanka Roshini	Transmission due to the demise of the Shareholder	Voting	24,181
09.12.2022	Post	Mr. B. J. P. H. Terrace De Zoysa	Ms. Bodadura Avisha Umayangi De Zoysa	Transmission due to the demise of the Shareholder	Voting	8,060
09.12.2022	Post	Mr. B. J. P. H. Terrace De Zoysa	Ms. Bodadura Kavisha Sewwandi De Zoysa	Transmission due to the demise of the Shareholder	Voting	8,060
09.12.2022	Post	Mr. B. J. P. H. Terrace De Zoysa	Ms. Bodadura Changa Jiana De Zoysa	Transmission due to the demise of the Shareholder	Voting	8,061



#### 9.4. DETAILS OF THE RIGHTS ISSUE

UBF carried out a Rights Issue on October 11, 2021 with a view to fulfilling the minimum regulatory core capital and capital adequacy requirements stipulated by the CBSL and growing the loan book of the Company. Rights Issue Shares were offered to each Shareholder to be subscribed at Sri Lanka Cents Thirty One (LKR 0.31) per Share on the basis of Fifteen (15) new Shares for every Four (4) Shares held, to raise a maximum of Sri Lanka Rupees Two Billion Six Hundred and Sixty Eight Million Forty Seven Thousand Nine Hundred and Seventy Eight (LKR 2,668,047,978). The total number of Shares offered under the Rights Issue was Eight Billion Six Hundred and Six Million Six Hundred and Six Thousand Three Hundred and Eighty One (8,606,606,381) Shares.

However, the total number of Shares ultimately issued under the Rights Issue was Six Billion Four Hundred and Thirteen Million Five Hundred and Seventy Eight Thousand Eight Hundred and Twenty Eight (6,413,578,828) Shares which comprised of Six Billion Four Hundred and Thirteen Million Five Hundred and Seventy Five Thousand Four Hundred and Eighty Three (6,413,575,483) Ordinary Voting Shares and Three Thousand Three Hundred and Forty Five (3,345) Ordinary Non-Voting Shares through which the Company raised Sri Lanka Rupees One Billion Nine Hundred and Eighty Eight Million Two Hundred and Nine Thousand Four Hundred and Thirty Seven (LKR 1,988,209,437/-).

UBC subscribed to Six Billion Three Hundred and Nine Million Seven Hundred and Twenty Five Thousand Four Hundred and Ninety Three (6,309,725,493) Shares for a total consideration of Sri Lanka Rupees One Billion Nine Hundred and Fifty Six Million Fourteen Thousand Nine Hundred and Three (LKR 1,956,014,903/-). Upon the completion of the Rights Issue, UBF satisfied the minimum regulatory core capital and capital adequacy requirements. The CBSL approval for the Rights Issue was obtained via a letter dated August 26, 2021.

#### 9.5. DETAILS OF CONSOLIDATION OF SHARES

UBF carried out a consolidation of Shares upon obtaining the Shareholder approval on March 15, 2022, in terms of which the Shares of the Company were consolidated on the basis of One Hundred (100) Shares held by each Shareholder of the Company into Thirty One (31) Shares. The NAV per Share pre and post Consolidation was Sri Lanka Cents Thirty Two (LKR 0.32) and Sri Lanka Rupees One and Three Cents (LKR 1.03) respectively. All residual fractions arising from the Consolidation of Shares on the aforesaid basis (which aggregated to c.1,580 Shares) were disregarded in entirety. The Consolidation was carried out with a view to streamlining and utilizing the share capital structure of the Company prior to the proposed IPO. The said Share Consolidation was carried out in accordance with the Articles of Association of the Company and relevant laws.

#### 9.6. DETAILS OF REPURCHASE AND REDEMPTION OF SHARES BY THE COMPANY

The Company has not engaged in any share re-purchase, redemption or stated capital reduction exercises in the Two (2) years preceding the date of this Prospectus.

#### 9.7. SHAREHOLDING STRUCTURE OF THE COMPANY

*Tabulated below is the shareholding structure of the Company as of the date of submission of the Initial Listing Application to the CSE (i.e. March 20, 2023) and the status of the shareholding of the Shareholders subsequent to the IPO assuming (i) full subscription of the IPO and (ii) these shareholders not subscribing to any Shares under the IPO.*

Table 9-3 Top 20 Shareholders of the Company

	Name of the Shareholder	Prior to IPO		Subsequent to IPO	
		Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
1	Union Bank of Colombo PLC	2,477,618,876	91.77%	2,477,618,876	89.94%
2	Shorecap II Limited	85,250,000	3.16%	85,250,000	3.09%
3	Mr D.A.J Warnakulasuriya	38,839,647	1.44%	38,839,647	1.41%
4	Mr O.I. Sheunn	14,605,884	0.54%	14,605,884	0.53%
5	Associated Electrical Corporation Limited	6,544,215	0.24%	6,544,215	0.24%
6	Ms S.T. Wijeyesekera	2,781,999	0.10%	2,781,999	0.10%
7	Mr W.M.C. Gunaratne	1,677,055	0.06%	1,677,055	0.06%
8	Mr C.P.A. Wijesekera	1,547,262	0.06%	1,547,262	0.06%
9	Mr L.H. Jayalath	1,215,015	0.05%	1,215,015	0.04%
10	Napco (Private) Limited	983,297	0.04%	983,297	0.04%
11	First Gulf Asia Holding Limited	887,616	0.03%	887,616	0.03%
12	Ceylease Financial Services Limited	777,034	0.03%	777,034	0.03%
13	Mr K.A.D.S.A. Kumara We	775,000	0.03%	775,000	0.03%
14	Ashyaki Holdings (Private) Limited	678,138	0.03%	678,138	0.02%
15	Ms L.P. Rajapaksa	671,943	0.02%	671,943	0.02%
16	Ms P.H.T. Sagarika	649,024	0.02%	649,024	0.02%
17	Mr R. Sumanasekara	617,679	0.02%	617,679	0.02%
18	Ajita De Zoysa & Company (Private) Limited	575,293	0.02%	575,293	0.02%
19	Commercial Agencies (Ceylon) (Private) Limited	575,293	0.02%	575,293	0.02%
20	Mr S. Ravindran	566,352	0.02%	566,352	0.02%
	Other Shareholders	61,850,696	2.29%	61,850,696	2.25%
	IPO Shareholders	-	-	55,000,000	2.00%
<b>Total</b>		<b>2,699,687,318</b>	<b>100.00%</b>	<b>2,754,687,318</b>	<b>100.00%</b>

## 9.8. DETAILS PERTAINING TO THE LOCKED-IN SHARES – PRE AND POST IPO

In compliance with the CSE Listing Rules, the Shares held by the existing 'Non-Public' Shareholders will be locked in for a period of Six (06) months from the date of listing, on the assumption of full subscription, as specified in the Table 9-4 below.

As reflected in Table 9-2 above, the Shareholders of the Company have transferred 522,139 Shares in the One (1) year period preceding the IPO which will be subject to a lock-in, in terms of the CSE Listing Rule 2.1.1 (d) (iii).

Existing Public Shares of UBF together with the Shares to be issued under the IPO aggregating to 10.04% of the total Shares of the Company would be available for secondary market trading on the CSE upon UBF obtaining the listing of its Shares subsequent to the IPO.

Details pertaining to the locked-in Shares (pre and post IPO) are accordingly given below.

**Table 9-4 Lock-in of Pre IPO Shares**

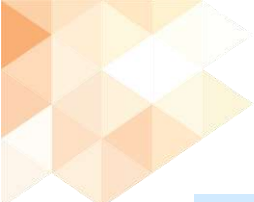
Category of Shareholders (Pre-Listing)	Locked-in Shares	Months After Which the Shares will be Available for Trading	Total Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Pre-Listing)
Non-Public	Locked-In	6 Months from the Date of Listing	2,477,618,876	91.77%
Public (Shares acquired by way of a transfer in the last 12 months)	Locked-In	6 Months from the Date of Listing or 12 Months from the Date of Transfer whichever is longer	522,139	0.02%
Public *	Not Locked-In	Not Applicable	221,546,303	8.21%
<b>Total</b>			<b>2,699,687,318</b>	<b>100.00%</b>

**\* 'Public Holding' defined under the definition mentioned in CSE Listing Rules**

Pre-IPO Public Holding (Shares held by the 'Public' as a percentage (%) of the total Pre-IPO number of Shares), as per the 'Public Holding' definition provided in the CSE Listing Rules is 8.21% held by 3800 Public Shareholders of the Company.

**Table 9-5 Shares Locked-in – Post IPO Shares**

Category of Shareholders (Post-Listing)	Locked-in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Post-Listing)
Non-Public	Locked-In (Pre-IPO Shares)	6 Months from the Date of Listing	2,477,618,876	89.94%
Public (Shares acquired by way of a transfer in the last 12 months)	Locked-In	6 Months from the Date of Listing or 12 Months from the Date of Transfer whichever is longer	522,139	0.02%



Category of Shareholders (Post-Listing)	Locked-in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Post-Listing)
Pre- IPO Public*				
Shares other than Share Transfers	Not Locked-in	Not Applicable	221,546,303	8.04%
Public *- Shares through the IPO	Not Locked-in	Not Applicable	55,000,000	2.00%
<b>Total</b>			<b>2,754,687,318</b>	<b>100.00%</b>

**\* ‘Public’ defined under the definition mentioned in CSE Listing Rules**

Note: The terms ‘Non-Public Shareholders’ and ‘Public Shareholders’ shall have the same meaning as set out in Rules 2.1.1 (f) (v) of the CSE Listing Rules.

Post-IPO public holding of UBF (as per the definition provided in the CSE Listing Rules for Public shareholding) is 10.04% representing a float adjusted market capitalisation of Sri Lanka Rupees Two Hundred and Seventy Six Million Five Hundred and Forty Six Thousand Three Hundred and Three (LKR 276,546,303/-) at the Share Issue Price. The information in this paragraph and table 9-5 is based on the assumption that the IPO will be fully subscribed and all the Shareholders who subscribe to the Shares under the IPO will meet the criteria for “Public Shareholders” within the meaning of the Listing Rules.

The Company confirms that the information furnished herewith shall remain unchanged until the date of listing.

Shares listed on the CSE shall be freely transferable and registration of the transfer of such listed Shares shall not be subject to any restriction, save and except to the disclosure above and to the extent required for compliance with statutory requirements.

## 9.9. DETAILS OF CONVERTIBLE DEBT SECURITIES

The Company has no outstanding convertible debt securities as of the date of this Prospectus.

## 9.10. DETAILS OF SHARES SOLD PRIVATELY IN CONJUNCTION WITH THE ISSUE

No Shares are being offered privately in conjunction with this Issue.

## 9.11. DETAILS OF TAKE-OVER OFFERS

There have been no take-over offers by third parties in respect of the Company’s Shares during the past Two (02) years, preceding the date of this Prospectus.

The Company has not made any take-over offers in respect of Shares of a third party during the past Two (02) years preceding the date of this Prospectus.



## 10. OTHER INFORMATION

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### 10.1. RELATIONSHIP WITH KEY CUSTOMERS AND SUPPLIERS OF UBF

#### Borrowers

As of December 31, 2022, the lending exposure of UBF to the top ten (10) largest borrowers amounted to LKR 1,538 Mn, equating to no more than 16% of the total loan portfolio. Further, the Company's largest sector exposure is trading (retail sector) amounting to 20.40% of the total lending portfolio.

Consequently, the performance of UBF is safeguarded against adverse effects since it is not exposed significantly towards a single entity or sector.

#### Depositors/Lenders

UBF makes use of public deposits as its main source of financing. As of December 31, 2022, current public deposit base of UBF from the top ten (10) largest depositors of UBF amounted to LKR 2,196 Mn, equating to 34.6% of the total deposits. However, net exposure to the top 10 depositors excluding their cash backed loans amounts to only 16%. The Company has no reliance on any single depositor or group of depositors.

UBF also utilises credit facilities offered by local banks. This only accounts for 7.0% of the total funding structure and comprises of funding from several banking and financial institutions, thus indicating no dependency on any single institution.

### 10.2. DIVIDEND POLICY

Subject to the provisions of the Companies Act and the Articles of Association of UBF, the actual amount and timing of dividend payments on the Ordinary Voting Shares of the Company will be recommended and approved by the Board of Directors of the Company and the Shareholders of the Company in terms of Articles of Association. The dividend policy of the Company will be based on a number of factors, including but not limited to the minimum capital requirements stipulated by the CBSL from time to time, Company's earnings, cash flow position, and future investments and funding of growth and the maintenance of a sound and efficient capital structure and any other factors which the Board of Directors of the Company may deem relevant.

The Company has paid no dividends during the Three (03) financial years immediately preceding the issue of Prospectus as set out in Accountants' Report presented in Annexure D of the Prospectus.

### 10.3. WORKING CAPITAL

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day-to-day operations of the Company.

### 10.4. DETAILS OF BORROWINGS

Particulars of borrowings of UBF as at December 31, 2022 is as follows,

#### Bank Borrowings as at December 31, 2022

Source	Facility	Balance Outstanding as at December 31, 2022	Rate %
Union Bank of Colombo PLC	300,000,000	300,000,000	32.7
<b>Total</b>	<b>300,000,000</b>	<b>300,000,000</b>	

#### Other Borrowings as at December 31, 2022

Source	Facility	Balance Outstanding as at December 31, 2022	Rate %
First Capital— Securitization (Deed No. 413)	750,000,000	198,497,000	9.9
M Power— Securitization (Deed No. 2241)	204,000,000	94,500,000	13.7
<b>Total</b>	<b>954,000,000</b>	<b>292,997,000</b>	

#### Overdraft Facilities as at December 31, 2022

Source	Facility	Balance Outstanding as at December 31, 2022	Rate %
Union Bank of Colombo PLC— Overdraft Facility	125,000,000	125,000,000	32.7

Gearing ratios of the Company for FY21 and FY22 are as follows;

Gearing Calculation (Figures given in LKR)	FY21	FY22
<b>Short Term Borrowings (Current portion of Long-Term Borrowings + Overdraft)</b>	2,187,446,921	1,843,787,509
<b>Long Term Borrowings</b>	511,500,040	178,041,855
<b>Equity</b>	738,176,933	2,811,308,060
<b>Gearing ratio (Debt/ (Debt + Equity))</b>	78.5%	41.8%
<b>Gearing ratio (Debt/Equity)</b>	365.6%	71.9%

However, the Capital Adequacy Ratio provides a more relevant indication of leverage of the companies in the NBFi industry, taking into consideration the risk of the assets.

## 10.5. LITIGATION, DISPUTES AND CONTINGENT LIABILITIES

As at December 31, 2022,

- There are no material legal, arbitration or mediation proceedings against the Company which have or may have in the recent past affected the financial position or profitability of the Company. However, a summary of litigation against the Company is disclosed under Annexure G of the Prospectus.

- There are no material contingent liabilities including guarantees that would affect the current and future profits of the Company.
- There are no penalties imposed by any regulatory or state authority against the Company.

## **10.6. MANAGEMENT AGREEMENTS**

There are no management agreements presently in force or currently being considered by UBF.

## **10.7. MATERIAL CONTRACTS**

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business.

## **10.8. DETAILS OF COMMISSIONS PAID**

No commission has been paid in the Two (2) years preceding the IPO or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares of the Company.

## **10.9. DETAILS OF BENEFITS PAID TO PROMOTERS**

No benefit has been paid in the Two (2) years preceding the IPO and there is no benefit intended to be paid or given to any promoter of the Company.

## **10.10. DETAILS OF TRANSACTIONS RELATING TO PROPERTY**

There were no transactions relating to the property within the Two (2) years preceding the IPO in which any vendor of the property to the Company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Company had any interest, direct or indirect.

## **10.11. TAXATION**

The Corporate Income Tax rates under Inland Revenue Act No. 24 of 2017 (as amended) and Value Added Tax (VAT) rates in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 (as amended) applicable for UBF as at December 31, 2022 are disclosed below:

**Table 10-1 Tax Rates Applicable for UBF as at December 31, 2022**

<b>Corporate Income Tax Rate</b>	30.0%
<b>Value Added Tax Rate on Financial Services</b>	18.0%
<b>Social Security Contribution Tax Rate*</b>	2.5%

## **10.12. DETAILS OF LICENSES**

The Company has obtained a license from the Monetary Board of the CBSL in terms of the Finance Companies Act No. 78 of 1988 (which has been repealed and replaced by the Finance Business Act No. 42 of 2011) to carry on finance business and Finance Leasing License under the Finance Leasing Act No. 56 of 2000 (as amended). Both the licenses should be renewed annually by the payment of a license fee. The Company has paid the annual license fee for Finance Business License and Finance Leasing License for the year 2023 on January 25, 2023 and January 31, 2023 respectively.



## 11. INVESTMENT CONSIDERATION AND ASSOCIATED RISKS

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Prior to investing in the New Shares, prospective investors should pay particular attention to the fact that the Company and to a large extent its business activities are subject to several risk factors which may be within or outside the control of the Company.

We recommend that you review the entire Prospectus in detail and pay particular attention to the following risks in connection with your investment. The probability of any of the considerations and uncertainties given below developing into actual events is low, due to the mitigating strategies stated under the risk factors.

If any of the considerations and uncertainties given below develop into actual events, the Company's business, financial conditions or results of operations and prospects could be materially and adversely affected and this may impact the market price of the Ordinary Voting Shares.

### 11.1. RISKS RELATING TO MACRO-ENVIRONMENTAL FACTORS

#### Macro-Economic Risk

The performance of firms in the NBFI sector is intertwined with the overall macro-economic climate and direction of the country. Fiscal and monetary policy, business confidence and disposable income levels are among the key factors that can have a significant impact on NBFI sector. The sector's sensitivity to these factors is heightened in the midst of economic volatility.

Macro-economic condition of the country started deteriorating at the beginning of the second quarter of the last year with GoSL announcing pre-emptive default on its foreign debt in April 2022. The CBSL resorted to implementing a free-floating exchange regime, since the previous fixed exchange regime was made unsustainable by prolonged current account deficits of the country. The GoSL together with the CBSL implemented a variety of macro-economic measures to tighten monetary and fiscal policies to curtail inflationary pressures, sustain shrinking foreign currency reserves and increase tax revenues. Rampant inflation coupled with recent changes to the tax policy significantly reduced the disposable income levels of consumers, while the lack of foreign currency reserves left the country facing acute shortages of essentials including fuel, gas and medical supplies. The economy of the country is estimated to have contracted by 12.4% in 2022 and a further contraction of 4.2% is expected in 2023 according to World Bank data.

However, the economy has shown signs of improvements over the past few months with the GoSL entering into a Staff Level Agreement with IMF, securing financial assurance from bilateral creditors including the single largest bilateral creditor\* to the country – China and the receipt of the first tranche of the IMF bailout. Inflation started slowing down since September 2022 and Sri Lanka Rupee slightly appreciated against US Dollar starting from the second week of March 2023 which continued on till first week of June 2023, with the CBSL deciding to lift the guides imposed on the exchange rate.

Even though the NBFI Sector was disproportionately affected for a prolonged period by the ongoing crisis owing to challenges with collections and the disbursements as reflected by the slowdown of credit growth and deterioration of asset quality, future outlook of this sector may not be as bleak in light of recent positive macro-economic developments, including the anticipation of interest rates coming further down.

*\*Source: <https://www.reuters.com/world/asia-pacific/sri-lankas-debt-china-close-20-public-external-debt-study-2022-11-30/> accessed on March 05, 2023*



## Government Policy and Regulations

The NBFI Sector is overseen and regulated by the CBSL with the primary goal of protecting depositors' interests while also regulating the industry's development. Any substantial regulatory changes, such as the Risk Based Capital framework and business segregation, would have a significant impact on NBFIs' operations and performance. However, the ongoing CBSL consolidation master plan which would significantly reduce the number of Licensed Finance Companies scattered across the industry, would provide added stability to the sector as a whole and is expected to minimise the requirement of any substantial regulatory changes going forward. The authorities' rigorous monitoring, on the other hand, decreases the risk of liquidation and malpractice in the sector while providing investors and depositors, a sense of security. Prolonged restrictions on imports by the government with no indication of a possible timeline of reversal, particularly with regard to automobiles, has adversely affected the leasing dominated NBFI sector as a whole. UBF promptly switched its focus to secondhand vehicles capitalizing on its well-distributed dealer network in order to minimize possible impact to its portfolio growth.

### 11.2. RISKS RELATING TO THE EXISTING BUSINESS OF UBF AND FUTURE PLANS

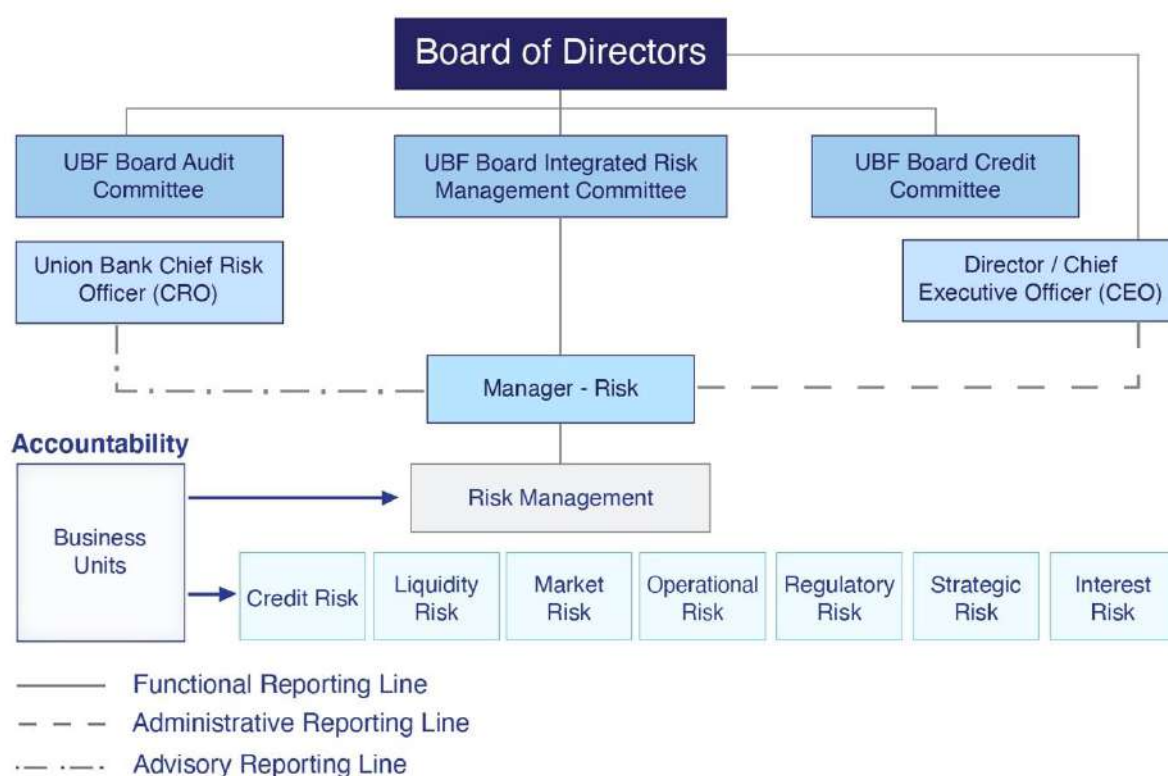
UBF's risk management philosophy is to support the day-to-day business activities of the Company by managing its risk exposures effectively and contributing to the strategic decision-making process. Whilst UBF remains committed to maximising shareholder value by growing its business in line with the Board determined risk appetite, the Company is mindful of achieving this objective in the best interest of all stakeholders. The Company's risk management strategy is to achieve a sound balance between risk and return to the business, whilst maintaining strong liquidity and adequate capital positions at all times combined with robust asset quality.

#### UBF Risk Management Framework

The Board of Directors of UBF has ultimate responsibility for the level of risk taken by the Company. The Board of Directors, either directly or through established committees, ensures that decision-making is aligned with the Company's strategies and risk appetite.

UBF believes that a strong risk governance structure is the foundation for a successful risk management framework. The Company's risk governance is based on three lines of defense calling for accountability, transparency and independent reporting.

## Risk Governance Structure



Source: UBF Company Risk Management Policy

The Board receives periodic updates on the key risks related to the Company. Integrated Risk Management Committee (IRMC) oversees the risk management at UBF and approves key risk policies, limits, strategies, and risk appetite.


The parent company of UBF, UBC provides constant assistance in risk management where the Chief Risk Officer of UBC provides guidance on the risk management framework at UBF. Furthermore, the Internal Audit function of the Company is also carried out by the Internal Audit Department of the Union Bank Group. The Internal Audit team reports independently to the Board (through the Board Audit Committee) on the effectiveness of the risk governance structure and risk management framework.

UBF has a comprehensive risk policy which outlines the risk management framework of the Company. The Company has a designated risk management department and a risk manager at UBF, responsible for the implementation of the risk policy.

## Strategic Risk

Adverse business judgments, an inability to respond to changes in the business environment and poor strategy execution could be considered strategic risks. Thus, it is crucial to devise and implement appropriate strategies to achieve the company's goals.

The Board of Directors of UBF has the ultimate responsibility for the level of risk taken by the Company. The Board, either directly or through its committees, ensures that decision-making is aligned with the Company's strategies and risk appetite. The Board receives monthly updates on the variances against the budgets and the key risks of the Company.



Moreover, the Board also provides clear guidance regarding the level of exposure acceptable to the Company and has the responsibility to ensure that senior management implements procedures and controls necessary to comply with adopted policies.

Further, management meetings are held at different management levels to review performance against the budgets and to decide on any corrective action if variances are identified.

### **Credit Risk**

Credit risk emerges as a result of borrowers' lack of creditworthiness which leads to delayed repayments or outright payment defaults. As a finance company whose primary business activity is lending, credit risk is one of the most pronounced risks for UBF. The Company has adopted several measures to manage the credit quality of their lending portfolio in order to minimise the probable losses and manage the credit exposure within a set of pre-approved parameters.

UBF has formulated a comprehensive credit policy which plays a vital role in managing their daily lending activities. The policy defines the principles encompassing client selection, due diligence, and portfolio monitoring, in line with the Company's risk appetite. The credit policy of UBF has been reviewed regularly by the Board of Directors to ensure that it resonates with the overall Company strategy.

UBF's credit management process consists of the loan origination and risk appraisal, credit approval and sanction, credit administration and disbursement, credit risk measurement monitoring and reporting, post credit evaluation and recoveries.

The loan origination and the initial risk appraisal process takes place at branch level which is then forwarded to the centralised credit department for further scrutiny and approval. The Company uses a credit score model for leasing and vehicle loans facilities to rate clients and SMEs, focusing on aspects of operating risks, financial risks, account/facility conduct and the security of the facility. The credit approvals are in line with Board approved delegated authority limits. A separate centralised unit is in charge of the credit administration to ensure that contractual requirements, legal documents are properly executed, and other evaluation documents are in place prior to the disbursement of facilities by the finance department. Timely and quality management information is provided to the credit and recoveries divisions to monitor the credit quality and to take corrective action if required.

The Company has established a system that helps identify problematic loans ahead of time so that there will be more options available as remedial measures. Such problematic loans are then managed under a dedicated remedial process. At the initial stages, these loans are handled by the branch at which the loan was originated. At later stages, the cases are transferred to the recoveries department which is specialised in recovering and the legal department in the event legal action is taken.

The Company uses a range of strategies to actively mitigate credit risk such as use of collateral and risk transfer through insurance. Detailed policies and processes are in place to ensure that credit risk mitigation is appropriately applied and recorded. Collateral is a key factor used by the Company to mitigate credit risk when granting loans. More than 97% of the Company loan portfolio is asset backed. Furthermore, the Company has a panel of pre-approved professional valuers to value the security provided by the borrower. The main types of collateral taken by the Company are immovable and movable assets and other additional securities such as guarantees. The Guarantees are taken particularly as an additional security in support of credit facilities granted to a group of companies and weaker counterparties. Creditworthiness is established for the guarantor as part of the credit approval process.



## Interest Rate Risk

Interest rate risk refers to the exposure of the Company to the changes in interest rates' absolute levels, spreads between rates, or any other interest rate correlation. Interest rate risk is an inherent risk to any company in the banking and finance sector. Any unanticipated fluctuations in future interest rates may impact the Company's core business activities, such as providing credit facilities, accepting deposits, and issuing debt instruments.

The prevailing high interest rate environment has contracted sector NIMs, reduced credit quality and significantly hampered credit growth. Thus, it is crucial for the Company to effectively manage interest rate risk. However, the elevated interest rates have been gradually adjusting downwards since March 2023, due to improved market sentiments which will be favourable for UBF.

Stringent monitoring of interest risk exposure is carried out based on informative, and timely management information. A static interest rate sensitive gap analysis and a maturity analysis has been performed periodically. Further, the Company's sensitivity to interest rate movements will be reported to the Assets and Liability Committee (ALCO). The ALCO also provides direction for the lending and borrowing rates by reviewing the interest rate environment and the competitor rates thereby maintaining the required spreads to achieve the overall budget.

## Liquidity Risk

The liquidity risk arises when the Company is unable to honor its obligations when they fall due under normal or stressed circumstances. This risk could take place as a result of numerous reasons such as deterioration in quality of credit portfolio, concentrations in either assets or liabilities, rapid asset growth funded by volatile large deposits, negative publicity, unwarranted competitive pricing, maturity mismatches between assets and liabilities or market-wide events such as market dislocation and major disasters. Liquidity issues may even necessitate divestment/curtailment of assets/lending and raise the need for additional capital to satisfy liquidity requirements.

UBF attempts to maintain a sustainable Liquid Assets Ratio (exceeding the CBSL requirement), Gearing Ratio and a Loans to Deposit Ratio to control the liquidity risk at all instances. The Company has arranged diversified funding sources besides its core deposit base in light of the same. To manage and maintain the Company's assets, UBF launched an aggressive deposit push recently.

Senior management of UBF follows sound procedures to mitigate liquidity risk while keeping the Board's strategic direction and risk appetite in consideration. The ALCO is in charge of overseeing the Company's total liquidity position and future cash flow requirements.

## Operational Risk

Operational risk is the risk pertaining to loss arising from inadequate or failed internal processes, people and systems or external events such as economic and political crisis, which affect the operations and business continuity. The Board IRMC oversees the implementation of the operational risk management framework of UBF. The Management is responsible for managing operational risk. UBF operates with strong internal control mechanisms to minimise the operational risk. Contingency planning has been devised through a comprehensive Business Continuity Plan (BCP). Risk Department assesses the operational risk using operational loss events. Key risk indicator reports and quarterly risk reports are submitted to the Board in a timely manner.

The Internal Audit Department of UBC conducts independent periodical reviews on all UBF branches and department operations to ensure that the control mechanisms are in place and reports are submitted on deviations with recommended improvements to the board audit committee. Additionally, UBF has an internal operational audit unit that reviews all the branches independently.



## **Risks Associated with the Future Plans of UBF**

The Company is vulnerable to the ill effects of the troubled financial environment. UBF has recognised the need to be prudent and the importance of strengthening risk management capabilities while maintaining a strong capital base and high levels of liquidity.

### **Regulatory Risk**

Regulatory risk arises in the event of failure to adhere to the compliance obligations set out by regulatory authorities including the CBSL which may result in loss of reputation or financial losses. Adherence to the principles of integrity and fair dealing, as well as all statutory requirements and best practices recommended by competent authorities, are all key aspects to consider. Compliance at UBF is overseen by the IRMC.

In order to mitigate the regulatory risk, the Company's compliance with laws and regulations is regularly monitored and reported by the compliance officer to the Board on a monthly basis and to the IRMC on a quarterly basis. The Company has a mechanism in place to assess compliance with internal controls and policies in all business operations.

In compliance with the requirements of the CBSL UBF has duly obtained the approval of the CBSL for the listing of the Shares of the Company via letter dated February 14, 2022.

## **11.3. RISKS RELATING TO INVESTMENT IN SHARES**

### **Inability to Provide Continuous Dividends**

The Company's ability to pay dividends to its shareholders will be determined by several criteria, including capital adequacy and distributable reserves, cash reserves, company growth prospects, and compliance with financing covenants, among others.

Dividend payments are not guaranteed, and the Board of Directors may decide not to pay dividends at any time.

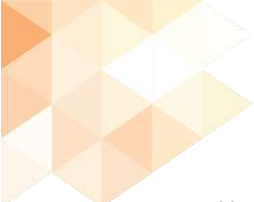
Furthermore, any significant dividend payment may have a major impact on the Company's capital requirements, cash reserves, and liquidity position to support its lending operations, as well as the ability to fund capital expenditures and make interest and principal repayments on its customer deposits and funding obligations.

Consequently, the Company may be obliged to borrow extra funds or raise equity capital, which, depending on market conditions at the time, may not be available on favourable conditions or at all.

### **Shares May Not be a Suitable Investment for All Investors**

Each potential investor must determine the suitability of that investment (i.e. investment in Shares under the Offering) in light of its own circumstances. In particular, each potential investor should:

- Have sufficient knowledge and experience to evaluate the Offering, the merits and risks of investing in the Shares and the information contained or incorporated by reference in this Prospectus;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his/her/its particular financial situation, an investment in the Offered Shares and the impact the Shares will have on his/her/its overall investment portfolio;
- Have sufficient financial resources and liquidity to bear all of the risks of an investment in Shares under the Offering, including where the settlement currency is different from the currency in which such investor's principal financial activities are denominated, especially in the instances where foreign investors are concerned;

- 
- Understand thoroughly the terms of the Offering and be familiar with any relevant indices and financial markets; and
  - Be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic indicators, interest rate and other factors that may affect the investment and its ability to bear the applicable risks.

#### **Price Volatility of Shares on the Secondary Market**

Variations in operational performance compared to analyst estimates, changes in operating environment or regulatory environment, technology developments / obsolescence, macroeconomic variables, and external events may influence the price of the Shares to fluctuate. The market price of the Shares may change in response to overall investor perception in the market at any given time.

## 12. STATUTORY DECLARATIONS

### 12.1. DECLARATION BY THE DIRECTORS

We, the undersigned, being Directors of UB Finance Company Limited, a company incorporated in the Democratic Socialist Republic of Sri Lanka bearing Company Registration No. PB 113 (previously PVS 1940 / PBS), having its registered office at No. 10, Daisy Villa Avenue, Colombo – 04, hereby declare and confirm that we have read the provisions of the Companies Act No.7 of 2007 (as amended) relating to the issue of the Prospectus and provisions listed therein have been complied with.

This Prospectus has been seen and approved by us and we individually and collectively accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any subsequent amendments made have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered reasonable at the present point in time and according to our best judgments.

Name of Director	Designation	Signature
Mr. Atul Malik	Chairman/ Non-Executive	Sgd.
Mr. Sabry Ghouse	Non-Executive/ Independent	Sgd.
Mr. Indrajit Wickramasinghe	Non-Executive /Non-Independent	Sgd.
Mr. Ransith Karunaratne	Chief Executive Officer / Executive/ Non-Independent	Sgd.
Ms. Lisa Thomas	Non-Executive / Non-Independent	Sgd.
Mr. Michael J O'Hanlon	Non-Executive / Non-Independent	Sgd.
Mr. Moahan Balendra	Non-Executive/ Independent	Sgd.
Mr. Jayendra Setukavalar	Non-Executive/ Independent	Sgd.



## 12.2. DECLARATION BY THE COMPANY

We, UB Finance Company Limited, having our Registered Office at No. 10, Daisy Villa Avenue, Colombo 04, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all the Ordinary Voting Shares issued by the Company and those Ordinary Voting Shares, which are the subject of this Issue. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the shares issued.

The Common Seal of UB Finance Company Limited affixed at Colombo on June 13, 2023 in the presence of two Directors.

Sgd.

Director

Sgd.

Director

## 12.3. DECLARATION BY MANAGERS TO THE ISSUE

We, NDB Investment Bank Limited of Level 1, NDB Capital Building, 135, Bauddhaloka Mawatha, Colombo 04 hereby declare and confirm to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts pertaining to UB Finance Company Limited and its Initial Public Offering.

The Common Seal of NDB Investment Bank Limited affixed at Colombo on June 12, 2023 in the presence of two directors.

Sgd.

Director

Sgd.

Director

# INITIAL PUBLIC OFFERING

## PROSPECTUS

### ANNEXURE - A

RESEARCH REPORT PUBLISHED  
TO ASCERTAIN THE VALUE OF  
ORDINARY VOTING SHARES OF  
UB FINANCE COMPANY LIMITED

Financial Advisors and Managers to the Issue





**ANNEXURE A - RESEARCH REPORT PUBLISHED TO ASCERTAIN THE  
VALUE OF ORDINARY VOTING SHARES OF  
UB FINANCE COMPANY LIMITED**

**RESEARCH REPORT**



Financial Advisors and Managers to the Initial Public Offering



**NDB INVESTMENT BANK LIMITED**

**JUNE 15, 2023**

The preparers of the Research Report possess the requisite expertise to prepare reports of this nature involving a company that is to be listed on the Colombo Stock Exchange

June 15, 2023

Board of Directors,  
UB Finance Company Limited,  
No. 10, Daisy Villa Avenue,  
Colombo 04.

Dear Sirs/Madam,

**Research Report on Valuation of UB Finance Company Limited ("UBF")**

We, NDB Investment Bank Limited, in the capacity of Financial Advisors and Managers to the Initial Public Offering (IPO) of UBF (hereinafter referred to as the "Managers to the Issue"), wish to submit the enclosed Research Report in accordance with Section 3.1.4. (c) of the Listing Rules of the Colombo Stock Exchange. The "Terms of Engagement" agreed upon between NDBIB and the Company for the same include, amongst other activities to be performed under the role of Financial Advisor and the Managers to the Issue, carrying out a valuation based on information provided to NDBIB by UBF and other publicly available information and the preparation of a report on the valuation of UBF.

We have carried out a detailed analysis of the business operations of UBF to arrive at the fair value of UBF's shares based on three valuation methodologies and the results have been summarised below.

Valuation Method	Equity Value (LKR Mn)	Per Share Valuation (LKR)	Discount/ (Premium) to the Issue Price
Peer Price to Book	2,078.76	0.77	-23.00%
Net Asset Value	2,641.85	0.98	-2.14%
Justified PBV	3,109.69	1.15	15.19%

The three methods used indicate a per Share valuation range of LKR 0.77 – LKR 1.15. The significant variance in results between the methods is reflective of the impact of heightened volatility and uncertainty pertaining to the Financial Services Sector on the market based PBV valuation as opposed to NAV and justified PBV methodologies which are more reflective of the Company's business fundamentals.

Considering the above and the need to price the Offer at a price point that facilitates healthy marketability of shares, we recommend an Offer Price of LKR 1/- per Share. It should be noted that the Rights Issue that took place on October 11, 2021 was also priced at LKR 1 /- per Share (post consolidation basis).

The detailed Research Report is enclosed herewith for your reference.

Yours faithfully,

**NDB INVESTMENT BANK LIMITED**

Sgd.


Darshan Perera

*Chief Executive Officer*



## ABBREVIATIONS

AWPR	Average Weighted Prime Lending Rate
AWLR	Average Weighted Lending Rate
Bn	Billion
BVPS	Book Value per Share
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CBSL	Central Bank of Sri Lanka
CCR	Core Capital to Risk Weighted Assets
CEO	Chief Executive Officer
FD	Fixed Deposit
FY	Financial Year
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
IDR	Issuer Default Rating
IPO	Initial Public Offering
IRMC	Integrated Risk Management Committee
LFC	Licensed Finance Company
LKR	Sri Lanka Rupee
LTV	Loan-to-Value
Mn	Million
MRP	Market Risk Premium
NAV	Net Asset Value
NBFIs	Non-Banking Financial Institutions
NIM	Net Interest Margin
NPLs	Non-Performing Loans
PBV	Price to Book Value
PLC	Public Limited Company



R <sub>f</sub>	Current Return on Risk-Free Assets/Risk free rate
ROA	Return on Assets
ROE	Return on Equity
RWCAR	Capital Base to Risk Weighted Assets
SLCs	Specialised Leasing Companies
SLIPS	Sri Lanka Interbank Payment System
SMEs	Small and Medium Enterprises
UBC	Union Bank of Colombo PLC
UBF	UB Finance Company Limited
USD	United States Dollar
VAT	Value Added Tax
YTD	Year-To-Date
YoY	Year-on-Year

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# 1. COMPANY OVERVIEW

UB Finance Company Limited is a Licensed Finance Company (LFC) regulated under the Finance Business Act No.42 of 2011 and a Registered Finance Leasing Establishment regulated under Leasing Act, No. 56 of 2000, initially formed in 1961 and later acquired by Union Bank of Colombo PLC (UBC) and its international strategic investment partner – ShoreCap II Limited through a capital infusion of LKR 1.15 Bn. The Company was subsequently restructured and re-branded as UB Finance Company Limited in April 2012. The Company was re-registered under the Companies Act No. 7 of 2007 in December 2012 following the said acquisition.

UBF has established itself as a notable player in the financial services sector and operates as a Non-Bank Financial Institution (NBFI) serving more than 10,000 customers across Sri Lanka with a network of 17 branches.

UBF, with its vision “to be Sri Lanka’s preferred financial solution provider”, offers a range of financial service offerings including Fixed Deposits, Savings, Leasing, Loans, Gold Loans, Mortgage Loans and Working Capital Loans. The Company’s strategic intent is to deliver a unique proposition of economic and social value to all Sri Lankans.

The Company's continued focus on asset-backed lending, maintaining prudent Loan-to-Value (LTV) ratios, conducting comprehensive credit evaluations, and executing focused recoveries and arrears management has served the Company well and allowed UBF to remain resilient during this period of uncertainty.



Source: Unaudited Interim Financial Statements of UBF as at December 31, 2022



## 2. INDUSTRY OVERVIEW

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### 2.1. OVERVIEW

NBFIs play a major role in the Financial Services Sector of Sri Lanka. The sector comprising of 36 LFCs<sup>[1]</sup> and 1 Specialized Leasing Company (SLC) <sup>[2]</sup> has faced numerous challenges recently due to the economic crisis and the regulatory environment which restricted the importation of motor vehicles, resulting in poor asset quality, declining profitability, and an increase in Non-Performing Loans (NPLs).

While both NBFIs and banks are regulated by the Central Bank of Sri Lanka (CBSL), there are certain differences in respective regulatory treatment, with NBFIs having more independence in governance structure and operational concerns, and not being subject to statutory reserve requirements.

NBFIs typically provide a variety of loans such as vehicle loans, gold loans, equipment loans, personal loans, micro credit, loans against property, loans against shares and corporate loans.


### 2.2. CURRENT CONDITION OF THE ECONOMY

The GoSL together with the CBSL has taken multiple corrective actions in 2022 and the first quarter of 2023 to mitigate the impact of the deterioration in the economic and political climate following the prolonged years rapidly growing debt and depleting foreign reserves.

Maintaining an unsustainable pegged currency regime resulted in a sharp decline in foreign reserves. This situation was further exacerbated by the decrease in inward worker remittance and tourism revenue. The dwindling foreign exchange reserve position of the country led to tightening of import restrictions on non-essential items including automobiles. The floatation of the Sri Lanka Rupee in March 2022, on the back of import restrictions led to rampant inflation. Even though certain reversals have been made recently, some restrictions are still in place. In April 2022, the GoSL announced a preemptive default on outstanding sovereign debt repayments, following multiple credit rating downgrades made in anticipation of the same. Fitch Ratings downgraded Sri Lanka's Long-Term Foreign Currency (LTFC) Issuer default rating to "RD" (Restricted Default) from "C" on May 19, 2022. Insufficient fuel stocks, gas supplies and medical supplies as a result of dwindling foreign reserves posed a major challenge to the country as it faced severe power cuts extending over 10 hours a day at its peak. The multifaceted macro-economic challenges were compounded by the climaxing of political strife stirring a nationwide crisis with the country coming to a standstill in July 2022.

<sup>[1]</sup>Licensed Finance Companies, accessed via <https://www.cbsl.gov.lk/authorized-financial-institutions/licensed-finance-companies> on March 05, 2023

<sup>[2]</sup>Registered Finance Leasing Establishments, accessed via <https://www.cbsl.gov.lk/en/authorized-financial-institutions/registered-finance-leasing-establishments> on March 05, 2023



However, in order to overcome difficulties in acquiring essential items, the GoSL sought bilateral loans, credit lines from neighbouring nations, multi-lateral funding agencies and IMF assistance. A Staff-Level Agreement with the IMF was reached on September 1, 2022, for a USD 2.9 Bn Extended Fund Facility (EFF) and the first tranche of the funds were released in March 2023.

In line with IMF recommendations, the GoSL sought to increase its tax revenue to reduce the unsustainable fiscal deficits. Personal income tax rates as well as the corporate tax rates were increased significantly whilst certain new taxes were also imposed.

With a view to mitigate inflation, policy rates were increased significantly, with the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) increased from 6.5% and 7.5% prior to April 2022 to 15.5% and 16.5% respectively by March 2023 with a further increment by 100 basis points as per IMF recommendations, showing further commitment towards obtaining the EFF. However, with the gradual dissipation of inflationary pressure, the Monetary Board of the CBSL decreased the SDFR and SLFR to 13% and 14% respectively at its meeting held on May 31, 2023.

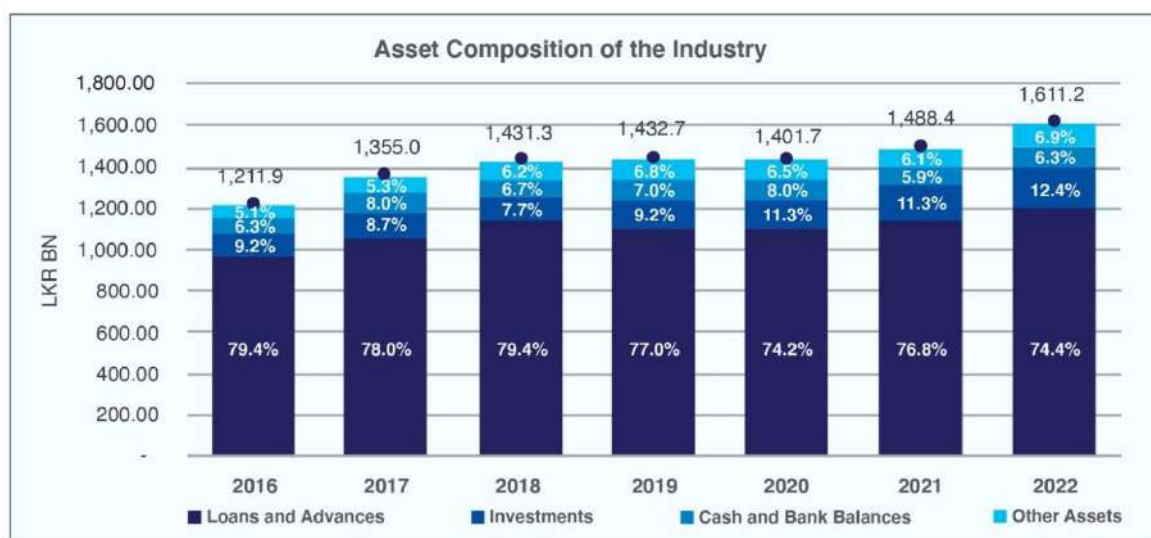
In light of the above initiations, macro economy of the country has shown signs of improvement with the Sri Lanka Rupee steadily appreciating against the USD recently for a certain period and the inflation starting to gradually slow down. Interest rates are also expected to ease in the future (as evidenced in 250 basis points reduction made to policy rates recently), instilling macro-economic stability. Therefore, the future outlook of the economy can be considered favourable to the Financial Services Sector of the country.

### **Performance of the Financial Services Sector and NBFIs**

Based on the nature of the business strategy of dealing with high-risk clients and charging higher margins to cover such risk, NBFIs are prone to higher credit risk in comparison to the Banking Sector. The economic crisis has significantly contributed to the increase the credit risk and decrease the profitability owing to deteriorating macro-economic factors and the increased tax burden. Industry profitability has declined sharply during the last year. The leasing and hire purchase segments which account for a significant portion of the loan book may see an increased risk due to a reduction in activity in the secondary market of vehicles. However, with the signs of macro-economic stability being restored and interest rates coming down, the performance of the Financial Services Sector is anticipated to improve.

## 2.3. ASSETS AND LIABILITIES OF THE NBFi SECTOR

Figure 2.1 - Assets Composition of the Industry



Source: CBSL Statistics 2021, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector>, on March 05, 2023

The asset base of the NBFi industry recorded a CAGR of 4.2% between 2016 and 2021 to reach LKR 1,488.4 Bn by December 2021 and reached LKR 1,611.2 Bn by the end of 2022 mainly driven by increased demand during low interest environment up to March 2022 and the increase in asset prices due to inflation <sup>[3]</sup>.

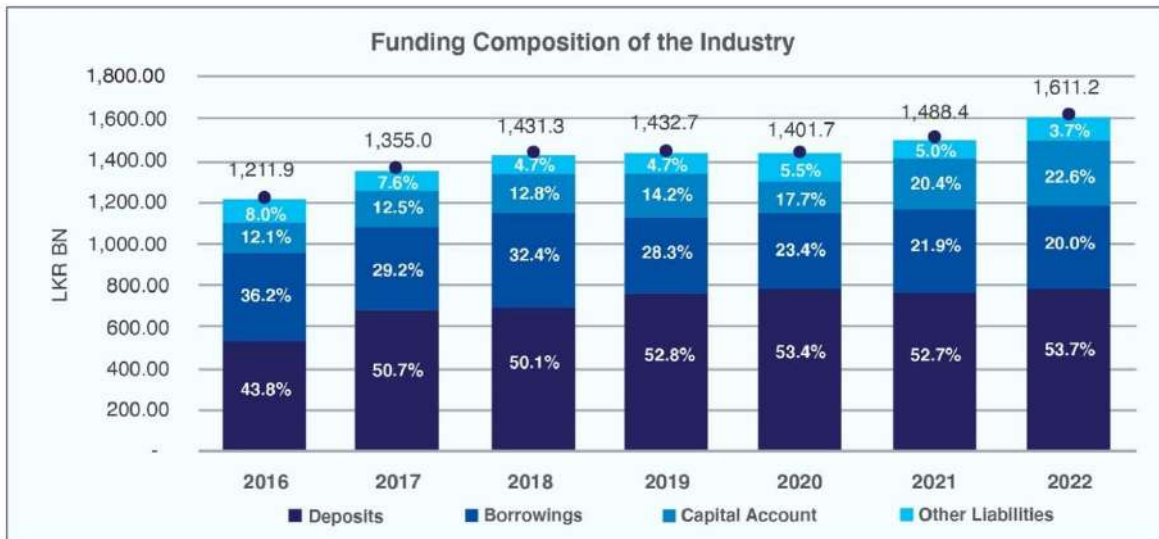
c. 74.4% of assets are Loans and Advances, which have grown at a 5-year CAGR of 3.5% between 2016 and 2021, despite witnessing negative growth of 3.0% and 5.7% in 2019 and 2020, respectively due to the deteriorating economic conditions brought on by the Easter Sunday attacks and the Covid-19 pandemic. However, NBFIs were able to achieve a YoY growth of 9.9% in Loans and Advances during 2021 due to the expansionary monetary policy employed by the CBSL to revive the economy following back-to-back macroeconomic shocks. In 2022, NBFIs experienced a significant YoY growth of 69.9% in hire purchase, real estate and pawning as opposed to other business segments.

The NBFi loan portfolio continues to be centred on leasing and hire purchases, which accounted for 48.4% of overall loans and advances as of 2022, despite the limitation on motor vehicle imports. This segment has continued to decline for the 4<sup>th</sup> consecutive year due to Easter Sunday attacks, the pandemic and economic distress.

The second major component of the asset composition of NBFIs, which accounts for c.12.4% of the assets is Investments. The NBFi Investment portfolio primarily constitutes investments in government securities that amount to approximately 57.7% of Investments. Investment in government securities experienced a YoY growth of 24.6% as of 2022 which can be attributed to a reduction in disbursement of loans that increased cash balances coupled with increased yields that increased feasibility of investments in government securities.

<sup>[3]</sup>CBSL Statistics, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on March 05, 2023

**Figure 2.2 - Funding Composition of the Industry**



Source: CBSL Statistics 2022, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector>, on March 05, 2023

Deposits account for approximately 53.7% of the total liabilities of the NBFIs Sector in 2022, having grown at a CAGR of 8.1% between the years 2016 and 2021. The satisfactory growth of 4.7% was achieved in 2021 despite historically low deposit rates. However, during 2022, supported by increased interest rates, deposits grew by 10.4% YoY.

## 2.4. CAPITAL LEVELS OF THE NBFIS SECTOR

**Table 2.1 - Capital Adequacy**

Industry Capital Adequacy	31-Dec 2017	31- Dec 2018	31- Dec 2019	31- Dec 2020	31- Dec 2021	31-Dec 2022*
Borrowings to Equity (times)	2.3	2.5	2.0	1.3	1.1	0.9
Core Capital to Risk Weighted Assets (CCR)	12.4%	9.8%	11.1%	14.5%	15.5%	
Capital Base to Risk Weighted Assets (RWCAR)	13.1%	11.1%	12.5%	15.66%	17.0%	22.0%

\*Provisional figures

Source: CBSL Statistics 2022, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector>, on March 05, 2023

The minimum regulatory capital requirements of LKR 2.0 Bn required by December 31, 2020 (subsequently extended to March 31, 2021) and LKR 2.5 Bn by January 01, 2022 resulted in a significant infusion of equity into the sector over the recent past. This has boosted lending capacity of NBFIs while also providing the flexibility to better support businesses and individuals as they attempt to move past the hardships brought on by the pandemic and subsequent economic crisis.

## 2.5. PROFITABILITY OF THE NBFİ SECTOR

**Table 2.2 - Profitability**

LKR (Mn)	31-Dec-2017	31- Dec -2018	31- Dec -2019	31- Dec -2020	31- Dec -2021	31-Dec-2022*
Total Interest Income	176,662	194,315	193,180	165,590	161,425	222,762
Total Interest Expenses	99,302	105,542	106,024	84,191	63,589	137,970
Net Interest Income	77,360	88,773	87,155	81,399	97,837	84,792
Non-Interest Income	25,409	28,036	28,756	23,116	32,518	32,967
Non-Interest Expenses (Operating Cost)	60,002	67,316	69,813	57,019	64,346	71,639
Loan Loss Provision	12,733	20,393	25,288	28,477	12,921	13,744
Profit for the Period (After tax)	17,676	15,043	8,090	8,520	34,451	18,542
NIM	7.71%	8.09%	7.61%	7.13%	8.51%	6.58%
ROE	14.73%	11.38%	5.56%	5.04%	16.66%	7.12%**
ROA	2.99%	2.65%	1.82%	1.67%	4.62%	2.51%**
Provision Coverage Ratio	63.9%	57.0%	56.6%	58.9%	66.76%	29.62%

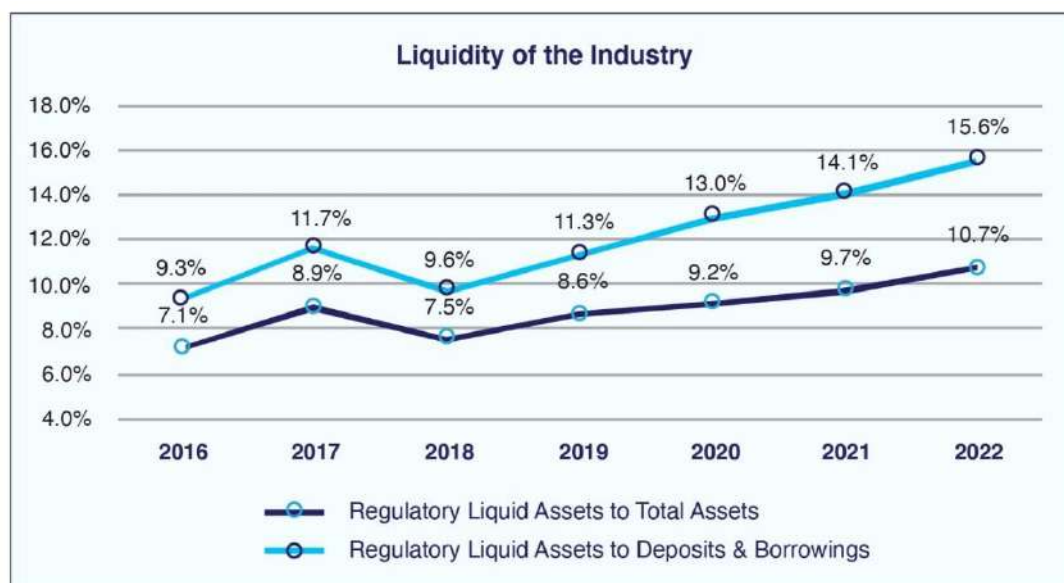
\*Provisional figures    \*\* annualised

Source: CBSL Statistics 2022, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on March 05, 2023

The industry faced a plethora of challenges as a result of the pandemic and financial crisis with increased non-performing loans, rising credit costs, and poor credit growth of the industry. The sector's overall Net Interest Margin (NIM) deteriorated during 2022, due to shrinking margins arising from overall increase in interest rates. Such decrease in profitability has resulted in a significant decline in sector return on equity and return on assets.

## 2.6. LIQUIDITY OF THE NBFI SECTOR

Figure 2.3 – Liquidity of the Industry



Source: CBSL Statistics 2022, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector>, on March 05, 2023

The NBFI sector as a whole was able to manage liquidity levels beyond regulatory criteria owing to the reduced credit creation, the introduction of regulatory concessions in March 2020, and the reduction of minimum liquid assets requirements.

## 2.7. ASSET QUALITY OF THE NBFI INDUSTRY

Table 2.3 - Asset Quality

Industry Asset Quality	31-Dec-2017	31- Dec -2018	31- Dec -2019	31-Dec -2020	31- Dec –2021	31-Dec- 2022*
Gross Non-Performing Advances to Total Advances	5.9%	7.7%	10.6%	13.9%	11.0%	17.5%
Net Non-Performing Advances to Total Advances	1.6%	2.4%	3.4%	4.2%	2.7%	12.3%
Total Net Advances to Total Assets	78.0%	79.4%	77.0%	74.2%	76.8%	74.4%
Provision Coverage Ratio	64.0%	57.0%	56.6%	58.9%	66.8 %	29.6%

\*Provisional figures

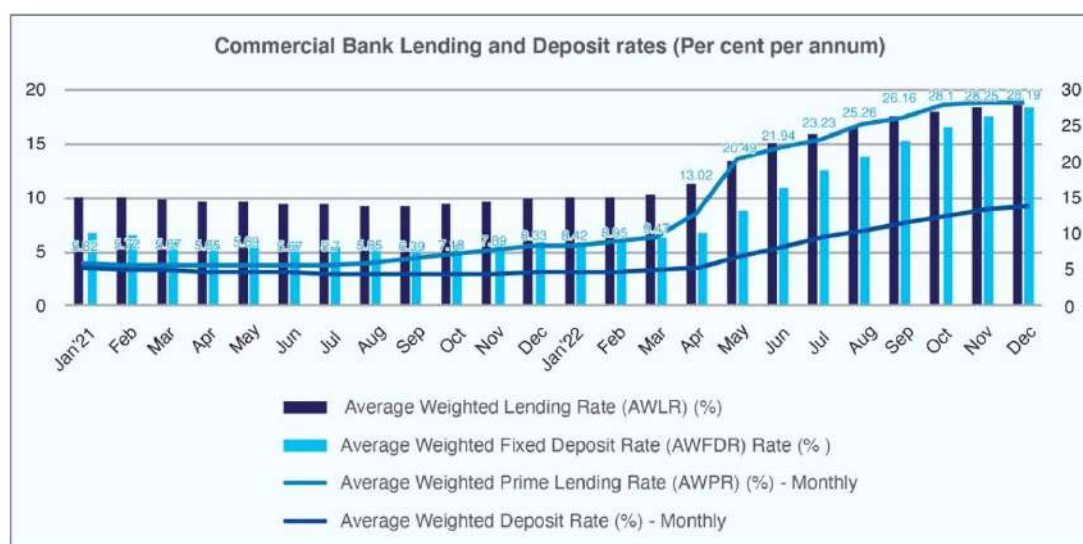
Source: CBSL Statistics 2022, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on March 05, 2023

The industry's NPA (NPL) ratio has seen a consistent increase from 2017 to 2021 due to contributors such as a sluggish economy, including policy uncertainty, political instability, the Easter Sunday attacks, and the COVID-19 pandemic despite a slight improvement in 2021 with signs of gradual recovery of the economy. However, the economic crisis has resulted in a significant increase in NPLs. The decline in the provision coverage ratio in 2022, could indicate the possibility of requiring further provisions that may reduce profitability in the near future.

## 2.8. COMMERCIAL BANK AVERAGE LENDING/BORROWING RATES

The Average Weighted Prime Lending Rate (AWPR) in Sri Lanka is the average rate of interest charged by commercial banks on loans to individuals and businesses on a weekly basis. Average Weighted Lending Rates (AWLR) are calculated by the CBSL on a monthly basis based on interest rates of all outstanding loans and advances extended by commercial banks to the private sector.

**Figure 2.4 – Commercial Bank Lending/Borrowing Rates**




Source: CBSL Statistics 2021/22, accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector>, on March 05, 2023

by the Monetary Board of the CBSL in order to drive down inflationary pressure, has resulted in less consumer spending. This in turn has resulted in increased lending rates while increasing the risk of default which will eventually lead to a higher interest rate spread for individual players in the NBFI Sector.

## 2.9. RISKS RELATING TO NBFI SECTOR

As indicated above, the NBFI portfolio contains higher credit risk in comparison to the Banking Sector, in return for higher returns. This revenue model makes the NBFIs disproportionately more sensitive to business cycles. Thus, the current economic downturn where the informal sector is hit harder than salaried employees, could affect the asset quality of the NBFI balance sheet more than that of the Banking sector.



Interest rates, which are at high levels, have impacted credit growth at the ground level. However, credit growth is expected to recover once interest rates begin to recede. The regulatory impact coming from import restrictions has contributed to further reductions in credit demand.

## **2.10. FUTURE OUTLOOK OF THE NBFI SECTOR**

The revival of the sector is dependent on the economy's short- to medium-term recovery while the minimum capital and capital adequacy requirements are expected to keep the NBFI sector stable in the interim and in the face of future economic shocks.

Interest rates are anticipated to further decline in the medium to long term. As a result, the tough operating environment for NBFIs may continue in the short term.

Sri Lanka's GDP contracted by 12.4% during 2022 and a further contraction is expected in 2023, according to the International Monetary Fund. The GoSL is however optimistic to achieve a positive growth in the medium term given the IMF assistance and the policy reforms in place. The recovery of the sector and the economy remain morose in the near term, however, there is hope for the economy to recover in the medium term.

The CBSL's financial sector consolidation policy is expected to strengthen the industry, with NBFIs emerging with stronger capital bases and less competition. This is expected to boost long-term profitability by lowering the sector's cost-to-income ratio.



### 3. SOURCES OF INFORMATION

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In deriving at the valuation, the following sources were referred to:

- i. Interim Financial Statements of the Company for December 2022 and Audited Financial Statements for the year ended March 31, 2022
- ii. Budgets and long-term internal forecasts provided by the Management of UBF (Management expectations and expertise have also been relied on for this purpose. In this regard, all references to Company expectations and views across this document reflect the views of Management)
- iii. Information on S&P Capital IQ Platform
- iv. Trading related information available on the Colombo Stock Exchange
- v. Other publicly available information

*The Managers to the issue are of the view that the information sources listed above were adequate to carry out the equity valuation of UB Finance Company Limited in a fair and reasonable basis to the best of their knowledge. Furthermore, it should be noted that the Managers have not carried out an independent verification of the information provided by the Company. In addition, no information has come to the attention of the Managers to believe that the facts and data set forth in the Report are incorrect.*

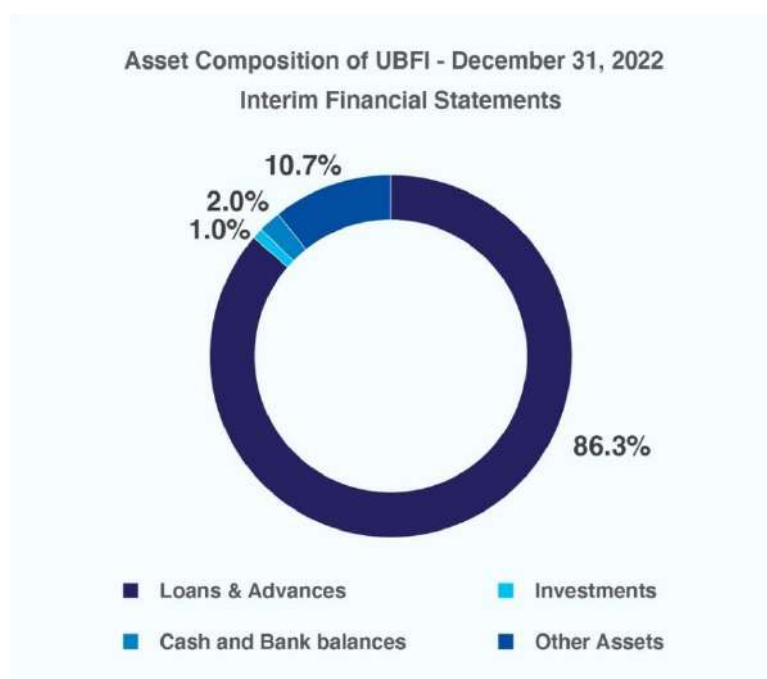
## 4. COMPANY ANALYSIS

### 4.1. COMPANY OVERVIEW

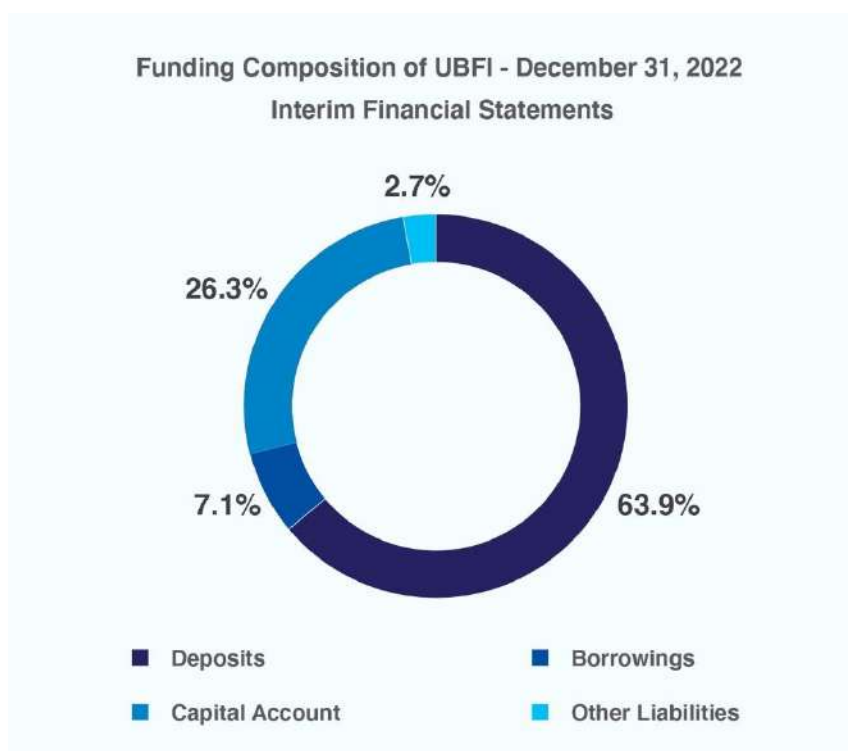
Comparable key financial metrics of UBF have been provided below for comparison with the industry statistics furnished under Section 2. UBF has leaned on its asset backed portfolio, the relatively low level of gearing in comparison to comparable peers and the backing of its parent to withstand the volatility prevailing at present.

#### 4.1.1 Assets and Liabilities of UBF

Figure 3.1 - Asset Composition of UBF



**Figure 3.2 – Funding Composition of UBF**



#### 4.1.2 Capital Levels of UBF

	31-Dec-22
Borrowing to Equity (times)	0.27*
Core Capital to Risk Weighted Assets (CCR)	28.59%
Capital Base to Risk Weighted Assets	28.59% <sup>+</sup>

\*Excluding Customer Deposits

<sup>+</sup> Minimum Capital Base to Risk Weighted Assets Requirement stipulated by the CBSL is 12.5%

#### 4.1.3 Profitability of UBF

	31-Dec-22*
NIM	6.66%
ROE	-8.32%
ROA	-2.36%

Unfavourable macro-economic environment of the country has hampered the NIM, ROE and ROA ratios of UBF.

\*Annualised

#### 4.1.4 Asset Quality of UBF

	31-Dec-22
Gross Non-Performing Advances to Total Advances	27.72%
Net Non-Performing Advances to Total Advances	17.17%
Total Net Advances to Total Assets	86.24%
Provision Coverage Ratio	38.08%

#### 4.2. GROWTH POTENTIAL OF THE COMPANY

The Company which commenced a journey of growth since its acquisition by UBC and ShoreCap II in 2012, faced restrictions in carrying forward its growth due to capital restrictions from 2018 onwards. The curtailment of lending forced UBF to be selective in its disbursements and the infusion of c. LKR 2 Bn via a Rights Issue on October 11, 2021 allowed the Company to meet the CBSL requirements and be well capitalised compared to the industry. This sound capitalisation has allowed the Company to meet the negative impact of Covid-19 pandemic and subsequent economic crisis on a better footing.

The Company expects to enhance its profitability by rationalisation of its product portfolio and discontinuing poorly performing segments such as factoring and cheque discounting. Upon the normalisation of the current situation, UBF plans to focus on business lending to grow its portfolio. The Company has already commenced restructuring the dealer network and entering into strategic partnerships in this regard. Further, the Company hopes to enhance their product range and to continue to provide asset backed lending products structured by their team of specialised professionals.

UBF has drafted plans to develop its core IT system to enhance speed and efficiency. Further, the integration of ATMs with the IT system is expected to allow UBF to mark a new step in its digitisation journey by allowing the launch of a digital wallet. Such integration is also expected to expand the savings deposit base of the Company. The proposed IT systems will also allow the Company to enhance its focus on lean management and keep major cost categories under management whilst attempting to eliminate non-value adding segments of the business.

#### 4.3. ASSUMPTIONS RELATED TO FUTURE OUTLOOK OF THE COMPANY

Following aspects were considered in determining the future growth potential of the Company:

- **Macro-Economic Environment:** Sri Lanka is currently facing significant economic hardships. Whilst UBF has been able to navigate these hardships with the support of high capitalisation and conservative business growth, it is expected that the country's situation should improve with remaining IMF fund disbursements. Such an economic revival is likely to catalyse the growth of UBF.

- 
- **Regulatory Requirements:** The financial services industry has multiple regulations in terms of minimum reserve requirements, provisioning for non-performing loans, interest rates, capital adequacy ratios, capital requirements etc. Whilst UBF met the minimum capital requirements via the recent Rights Issue, it has always met all the other regulatory requirements and it is expected that UBF would continuously meet such regulatory requirements.
  - **Capital buffer:** UBF has a significant capital buffer due to the Rights Issue. It is expected that this capital buffer would enable the Company to engage in a growth path faster than its peers.
  - **Credible track record:** UBF has maintained a credible track record and as a subsidiary of a licensed commercial bank, is able to earn the goodwill and trust of depositors and other stakeholders. This goodwill is likely to support UBFs growth trajectory with mobilisation of deposits for growth.



## 5. VALUATION METHODOLOGY

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### 5.1. PEER PRICE TO BOOK MULTIPLE BASED METHOD

Price to Book Value ratio is calculated as;

$$PBV = \frac{\text{Market value of an ordinary share}}{\text{Net Asset Value per share}}$$

The ratio is used to determine the extent of the premium/discount paid by investors on the book value of a share of an entity. The book value of shares is multiplied by an appropriate PBV ratio to arrive at the market value of the company as follows:

$$\text{Share price} = BVPS * PBV \text{ multiple}$$

Where:

BVPS= Net asset Value per Share as at December 31, 2022

PBV= Average PBV of Peer Sample

The Peer Price to Book Multiple Based Method is considered an appropriate market-based methodology for the valuation of financial services companies as it is calculated relative to the book value of equity of its peers.

The current macro-economic situation has resulted in heightened volatility and uncertainty with regard to the financial services sector. As a result, an income based valuation derived using forecast financials has not been carried out to value the Company since it is challenging to forecast financials with a reasonable degree of confidence given the direct implications of numerous external events including but not limited to the ongoing sovereign debt restructuring exercise, deployment of an IMF program and applicable timelines (related to the said events) to the financial performance of firms in the sector.

## 5.2. NET ASSET VALUE (NAV) METHOD

The Net Asset Value (NAV) per share can be calculated as follows:

$$\text{NAV per share} = \frac{(\text{Market Value of Total Assets} - \text{Market Value of Total Liabilities})}{\text{Number of shares in issue}}$$

The NAV indicates the value realisable in case of liquidation and it is commonly used to value financial institutions.

Given that most Financial Assets and Liabilities are carried in the books at Market Value, the Book Value of the Assets and Liabilities could be considered as a suitable proxy.

The Asset Based Valuation setout herein of the Company, has been prepared in accordance with the relevant historical financial statements of the Company.

## 5.3. JUSTIFIED PRICE TO BOOK VALUE (JPBV) METHOD

This method is based on the calculation of a Justified PBV ratio, which takes into account the Company fundamentals and sustainable growth potential.

The Justified PBV ratio derived, is then multiplied by the NAV of the Company to arrive at the valuation.

$$\text{Justified PBV} = (ROE - g)/(r - g)$$

ROE = Expected Return on Equity (Long Term Return on Equity)

g = Sustainable Growth Rate

r = Required rate of return on equity (Cost of Equity)

$$\text{Share price} = \text{BVPS} * \text{Justified P/BV multiple}$$

BVPS = Net asset Value per Share as at December 31, 2022

## 6. VALUATION RESULTS

The Justified Price to Book Value based valuation, Peer Price to Book Multiple based valuation and Net Asset Value were used for the valuation of UBF's shares. It should be noted that the Peer Price to Book multiple is affected by the heightened volatility and uncertainties in the macro-economic environment whilst Net Asset Value and Justified PBV based valuations reflect the Company fundamentals.

The assumptions used to arrive at the fair value of the shares of UBF as per the methodologies given in Section 5.0 are detailed in this section.

### 6.1. PEER PRICE TO BOOK MULTIPLE (PBV) BASED VALUATION

The following peer companies categorised under Diversified Financial Services Sector were considered in arriving at a valuation for UBF. Given the large number of listed entities categorised under the Diversified Financial Services Sector, the peer group was narrowed down in order to include only the NBFIs. Senkadagala Finance PLC, Multi Finance PLC and Dialog Finance PLC were excluded in arriving at the average Peer PBV since they deemed as outliers given the heightened multiples that they are trading at.

Peer Group	PBV
Abans Finance PLC	0.53
Alliance Finance Company PLC	0.31
Asia Asset Finance PLC	0.33
Associated Motor Finance Company PLC	0.29
Citizens Development Business Finance PLC	0.79
Commercial Credit and Finance PLC	0.40
HNB Finance PLC	1.72
Lanka Credit and Business Finance PLC	0.59
LB Finance PLC	0.82
LOLC Finance PLC	1.90
Merchant Bank of Sri Lanka & Finance PLC	0.46
Nation Lanka Finance PLC	1.02
Orient Finance PLC	0.46
People's Leasing & Finance PLC	0.37
People's Merchant Finance PLC	0.69
Sarvodaya Development Finance PLC	0.48



Peer Group	PBV
Singer Finance (Lanka) PLC	0.49
SMB Finance PLC	1.97
Softlogic Finance PLC	1.41
Vallibel Finance PLC	0.70
<b>Average Peer Multiple</b>	<b>0.79</b>
Book Value per Share of UBF as at December 31, 2022 (LKR)	0.98
<b>Equity Value per Share of UBF (LKR)</b>	<b>0.77</b>

Source: S&P Capital IQ, accessed via [www.capitaliq.com](http://www.capitaliq.com) (access only available to registered users), on June 15, 2023

## 6.2. NET ASSET VALUE BASED VALUATION

### UB Finance Company Limited

#### Net Asset Value Based Valuation (LKR)

Total Asset Value as at December 31, 2022	10,054,998,055
Total Liabilities as at December 31, 2022	7,413,147,292
<b>Total Net Asset Value as at December 31, 2022</b>	<b>2,641,850,762</b>
Total Number of Shares as at December 31, 2022	2,699,687,318
<b>Net Asset Value of an Ordinary Share of UBF (LKR)</b>	<b>0.98</b>

*Based on Net Asset Value approach, the total Equity Value of UBF amounts to LKR 2.7 Bn with a per share value of LKR 0.98*

### 6.3. JUSTIFIED PRICE TO BOOK VALUE BASED VALUATION

UB Finance Company Limited	
Justified Price to Book Value Based Valuation (LKR)	
Long Term ROE (ROE) (%) *	20.00%
Sustainable Growth Rate (g) (%) **	3.00%
Required Rate of Return on Equity (r) (%)***	17.44%
<b>Justified P/BV Ratio (x)</b>	<b>1.18</b>
Net Asset Value per Share (LKR) as at December 31, 2022	0.98
<b>Value of an Ordinary Share of UBF (LKR)</b>	<b>1.15</b>

\*Based on the indicative business plans of the management of UBF and the long term performance of the similar sized entities in the NBFI sector, medium to long term ROE is expected to be 20%

\*\* A long-term sustainable growth rate of 3.0% was estimated based on long term GDP growth rate.

\*\*\* A risk premium of 6% was applied on the 10-year Secondary Market Yield Average of 10-year Bonds which stood at 11.4%

### 6.4. RECOMMENDED FAIR VALUE OF UBF

The recommended fair value of UBF based on the valuation methods described in Section 5.1, 5.2, 5.3 and the corresponding calculations in Sections 6.1 and 6.2 and 6.3 is as follows:

Valuation Method	Equity Value (LKR Mn)	Per Share Valuation (LKR)	Discount/ (Premium)
Peer Price to Book	2,078.76	0.77	-23.00%
Net Asset Value	2,641.85	0.98	-2.14%
Justified PBV	3,109.69	1.15	15.19%

The value of UBF shares based on the aforementioned valuation method indicates that the intrinsic value of UBF is within the range of LKR 0.77 to LKR 1.15 per Share. An Offer Price of LKR 1/- per Share has been recommended given that the post-consolidation Rights Issue price per Share under the Rights Issue of UBF concluded on October 11, 2021 was LKR 1/-. The recommended **Offer Price of LKR 1/- per Share** lies within the said range. The pricing of UBF is affordable across all cross sections of market participants and would aid in boosting liquidity of the Shares as well.



## 7. RISKS

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**This section highlights some of the risks that could be faced by the Company which in turn could affect its performance and share price.**

### **Risks Relating to Macro-Environmental Factors**

- **Market Risk**

The Company's financial performance is directly influenced by changes in general economic factors such as GDP growth rate, disposable income levels and financial market performance. In addition, the country's prevailing monetary policy also dictates NBFi sector performance to a large extent. Drastic depreciation of the currency following the removal of the peg to the USD coupled with inadequate foreign reserves have led to reductions in consumption fronted by import restrictions and price increases.

The CBSL deployed contractionary monetary policy measures in its efforts to mitigate the simultaneous impact of numerous economic issues. The historic increases in the interest rate regime resulted in the reduction in credit expansion of the NBFi sector. The concurrent increase in funding coupled with the scarcity of funding sources has drawn sector profitability down as well.

Fitch Ratings downgraded Sri Lanka's Long-Term Foreign Currency (LTFC) Issuer Default Rating (IDR) to "RD" from "C" <sup>[4]</sup> following the default of senior unsecured foreign currency bonds. While this was exceedingly detrimental with respect to the risk assessment of Sri Lanka in the eyes of both foreign and local investors, sentiment has recovered to an extent following slowing down of inflation, reaching the Staff Level Agreement with the IMF for an Extended Fund Facility and obtaining financial assurance from all the bilateral creditors including China. With further disinflation and IMF funds being released, interest rates are anticipated to further decrease in the medium term, assisting the fast recovery of NBFi sector.

- **Government Policy and Regulations**

The CBSL oversees and regulates the NBFi sector, with the primary goal of protecting depositors' interests while also regulating the industry's development. Any substantial regulatory changes, such as the Risk Based Capital framework and business segregation, would have a significant impact on NBFi's operations and performance. The authorities' rigorous monitoring, on the other hand, decreases the risk of liquidation and misconduct in the sector. This rigorous monitoring approach provides investors and depositors, a sense of security. Government policy on restrictions of imports including automobiles, increased VAT on financial services from 15% to 18% and overall increases to the tax regime are expected to impact portfolio growth, composition and profitability of the Company.

*<sup>[4]</sup>Correction: Fitch Downgrades Sri Lanka to 'RD', accessed via <https://www.fitchratings.com/research/sovereigns/correction-fitch-downgrades-sri-lanka-to-rd-20-05-2022>, on September 09, 2022*



## **Risks Relating to Micro-Environmental Factors**

- **Credit Risk**

Credit risk emerges as a result of borrowers' lack of creditworthiness which leads to delayed repayments or outright payment defaults. As a finance company whose primary business activity is lending, credit risk is one of the most pronounced risks for UBF. Considering the prevailing economic distress, it's highly probable for the company to experience increased Non-Performing Advances as previously witnessed in the first half of the FY2022. The Company has adopted several measures to manage the credit quality of their lending portfolio in order to minimise the potential losses and manage the credit exposure within a set of pre-approved parameters.

UBF has formulated a comprehensive credit policy which plays a vital role in managing their daily lending activities. The policy defines the principles encompassing client selection, due diligence, and portfolio monitoring, in line with the Company's risk appetite. The credit policy of UBF has been reviewed regularly by the Board of Directors to ensure that it resonates with the overall Company strategy.

## **Risks Relating to Internal-Environmental Factors**

- **Strategic Risk**

Adverse business judgments, poor decision execution, or an inability to respond to changes in the business environment could be considered strategic risks. Thus, it is crucial to devise and implement appropriate strategies to achieve the company's goals.

The Board of Directors of UBF has the ultimate responsibility for the level of risk taken by the Company. The Board, either directly or through its committees ensures that decision-making is aligned with the Company's strategies and risk appetite. The Board will receive periodic updates on the key risks of the Company. The Integrated Risk Management Committee (IRMC) approves key risk policies, limits, strategies, and risk appetite. Moreover, the Board also provides clear guidance regarding the level of exposure acceptable to the Company and has the responsibility to ensure that senior management implements procedures and controls necessary to comply with adopted policies.

- **Liquidity Risk**

The liquidity risk arises when the Company is unable to honour its obligations when they fall due under normal or stressed circumstances. This risk could take place as a result of numerous reasons such as deterioration in quality of credit portfolio, concentrations in either assets or liabilities, rapid asset growth funded by volatile large deposits, negative publicity, unwarranted competitive pricing, maturity mismatches between assets and liabilities or market-wide events such as market dislocation and major disasters. Liquidity issues may even necessitate divestment/curtailment of assets/lending and raise the need for additional capital to satisfy liquidity requirements.

UBF attempts to maintain a sustainable Liquid Assets Ratio, Gearing Ratio and a Loans to Deposit Ratio to control the liquidity risk at all instances. The Company has arranged diversified funding sources besides its core deposit base, maintains a portfolio of marketable, highly liquid assets and invests a portion of customer deposits in Treasury Bills as mitigants of the liquidity risks. To manage and maintain the Company's assets, UBF has already launched an aggressive deposit push.

Senior management of UBF follows sound procedures to mitigate liquidity risk while keeping the Board's strategic direction and risk appetite in consideration. The Assets and Liability Committee (ALCO), which is a sub-committee of IRMC, is in charge of overseeing the Company's total liquidity. Furthermore, contingency funding lines from banks are in place to confront the challenges in the event of a stress scenario.



## 8. NDBIB TEAM

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### **Darshan Perera – Director/CEO, NDB Investment Bank Limited**

Darshan is credited as being a dynamic team player, highly skilled in all aspects of financial and investment markets. He has to his credit, led teams that have successfully managed a large number of IPOs, M&As, and debt raisings and in doing so, introduced to the country new products and achieved record breaking results. Darshan is renowned in the industry as a corporate advisory specialist, specialising in areas of business due diligence, fund raising and restructuring. Darshan has also been instrumental in leading NDBIB to win numerous international and local awards for consecutive years.

Prior to joining NDBIB, Darshan held senior management positions in a number of large organisations and banking institutions, including serving as an Assistant Vice President at Vanik Incorporation. Darshan's career is enriched with a myriad of different academic disciplines. He holds a B.Sc. in Physical Science and an MBA from the University of Colombo. He is an Associate Member of the Institute of Bankers, Sri Lanka and of the Chartered Institute of Marketing, UK. He also holds the Chartered Institute of Management Accountants qualification.

### **Vidushini Denipitiya– Vice President - Corporate Advisory**

Vidushini has over ten years work experience at NDBIB. Since joining NDBIB, Vidushini has engaged in several milestone M&A transactions, initial public offerings, fund raisings and advisory services to listed and unlisted corporate entities. She employs her unique combination of expertise in law, regulations and corporate finance to provide advice to a diverse spectrum of transactions. Prior to joining NDBIB Vidushini worked at Amsafe Bridport (Private) Limited and Dialog Axiata PLC for 4 years.

Vidushini has an MBA from the Post Graduate Institute of Management (PIM) Sri Lanka and B.Sc. (Hons) in Business Computing from University of Wolverhampton, UK. Vidushini is also an Attorney at Law and a Passed Finalist of Chartered Institute of Management Accountants, UK (CIMA).

### **Savinda Fernando – Assistant Vice President – Corporate Advisory**

Savinda joined NDBIB in 2020 and is currently engaged in a range of corporate advisory transactions including business valuations, IPOs and M&As. Prior to joining NDBIB he worked as an Engineer at MAS Intimates (Private) Limited.

Savinda has a MEng (Hons) in Mechanical Engineering from the University of Nottingham, UK and has passed Level II of the CFA examination.

### **Dushyanthi Kahatapitiya – Senior Management Associate- Corporate Advisory**

Dushyanthi joined NDBIB in 2021 and has been involved in numerous transactions executed by NDBIB, including IPOs, M&As and valuations.

Dushyanthi is a graduate in Electronic and Telecommunication Engineering with a first-class honours degree from the University of Moratuwa, a Passed Finalist of Chartered Institute of Management Accountants, UK (CIMA). She also has a Post Graduate Diploma in Professional Marketing from the Chartered Institute of Marketing, UK (CIM). Dushyanthi has passed Level II of the CFA examination.



## 9. DISCLAIMER

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The information, forecasts, analyses, assumptions and opinions contained herein have been compiled or arrived at solely based on information provided to the Managers by UBF. Such information has not been independently verified and no guarantee, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness. Nothing contained in this Research Report is, or shall be relied upon as, a promise or representation by the Managers. All such information is subject to change without notice and such changes could be due to unforeseen circumstances. This Research Report is for information purposes only and does not purport to be a complete description of the subject matter presented herein.

Any estimate, projection, opinion, forecast and valuation contained in this Research Report involve significant elements of subjective judgment and analysis, which may or may not be correct. No representation is made that any estimate, projection or forecast will be achieved. The actual future events may vary significantly from the estimates, projections, forecasts or valuation and each estimate, projection, forecast or valuation is based on a number of assumptions and is subject to matters which are outside the control of the Managers. Verification of assets of UBF and evaluation of agreements between clients of UBF have not been carried out during this exercise.

Accordingly, the Managers shall not be liable for any loss or damage howsoever arising as a result of any person acting or refrain from acting in reliance on any information, forecast analysis and opinion contained herein.

The recipients of this Research Report and/or Investors are expected to carry out their own independent evaluations taking into consideration macro-economic variables and other relevant conditions.

The valuation presented herein is valid for a period of three months (03) from the date of the Prospectus however, subject to there being no material changes to the parameters impacting operations of UBF.

# INITIAL PUBLIC OFFERING

## PROSPECTUS

### ANNEXURE - B

### COLLECTION POINTS

Financial Advisors and Managers to the Issue





### **1. NDB Investment Bank Limited**

Level 1, NDB Capital Building

No. 135, Bauddhaloka Mawatha

Colombo 04

Tel: +94 11 2 00 385-90

Fax: +94 11 2 300 393

[www.ndbib.com](http://www.ndbib.com)

### **2. COMPANY**

#### **UB Finance Company Limited**

No. 10, Daisy Villa Avenue

Colombo 04

Tel : +94 11 4468888

Fax : +94 11 2508517

[www.ubf.lk](http://www.ubf.lk)

### **3. REGISTRARS TO THE ISSUE**

#### **P W Corporate Secretarial (Private) Limited**

No. 3/17, Kynsey Road

Colombo 08

Tel : +94 11 4640360

Fax : +94 11 4740588

#### 4. Trading Participants of the Colombo Stock Exchange

NDB Securities (Private) Ltd. Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 4. Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk	Somerville Stockbrokers (Pvt) Ltd. No. 1A, Park Way, Park Road, Colombo 5. Tel: +94 11 2 502 852 / +94 11 2 502 854 / +94 11 2 502 858 / +94 11 2 502 862 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk
CT CLSA Securities (Pvt) Ltd. 4-14, Majestic City, 10, Station Road, Colombo-4. Tel: +94 11 2 552 290 - 4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk	Bartleet Religare Securities (Pvt) Ltd. Level "G", "Bartleet House", No. 65, Braybrooke Place, Colombo 2. Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetstock.com
Asha Securities Limited No.60, 5th Lane, Colombo 3. Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net	Acuity Stockbrokers (Pvt) Ltd. No. 53, Dharmapala Mawatha, Colombo 3. Tel: +94 11 2 206 206 Fax: +94 11 2 206 298 / 9 E-mail: sales@acuitystockbrokers.com
J B Securities (Pvt) Ltd. No. 150, St. Joseph Street, Colombo 14. Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk	Lanka Securities (Pvt) Ltd No. 228/1, Galle Road, Colombo 4. Tel: +94 11 4 706 757 / +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com
Asia Securities (Pvt) Ltd. 4th Floor, Lee Hedges Tower, No. 349, Galle Road, Colombo 3 Tel: +94 11 7 722 000 Fax: +94 11 258 4864 E-mail: inquiries@asiasecurities.lk	Capital Trust Securities (Pvt) Ltd. No, 42, Mohamed Macan Markar Mawatha, Colombo 3. Tel: +94 11 2 174 174 / +94 11 2 174 175 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk
S C Securities (Pvt) Ltd. 5th Floor, No. 26B, Alwis Place, Colombo 3. Tel: +94 11 4 711 000 / +94 11 4 711 001 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk	Assetline Securities (Pvt) Ltd. (Inactivated Operations) No.120, 120A, Pannipitiya Road, Battaramulla. Tel: +94 11 4 700 100 Fax: +94 11 4 700 101, +94 11 4 700 112 E-mail: info@assetline.lk
First Capital Equities (Pvt) Ltd. No. 2, Deal Place, Colombo 3. Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-Mail: equity@firstcapital.lk	John Keells Stock Brokers (Pvt) Ltd. No. 186, Vauxhall Street, Colombo 2. Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com
Nation Lanka Equities (Pvt) Ltd. No.44, Guildford Crescent, Colombo 07. Tel: +94 11 7898302 Fax: +94 11 2673355 E-mail: info@nlequities.com	SMB Securities (Pvt) Ltd. No. 02, Gower Street, Colombo 5. Tel: +94 11 4 388 138 Fax: +94 11 2670294 E-mail: info@smbsecurities.lk

<p>Capital Alliance Securities (Pvt) Ltd. Level 5, "Millennium House", 46/58 Navam Mawatha, Colombo 2. Tel: +94 11 2 317 777 Fax: +94 11 2 3177 88 E-mail: info@cal.lk</p>	<p>LOLC Securities Limited No. 481, T.B. Jayah Mawatha, Colombo 10. Tel: +94 11 588 9889 Fax: +94 11 266 2883 E-Mail: info@lolcsecurities.com</p>
<p>First Guardian Equities (Pvt) Ltd. 32nd Floor, East Tower, World Trade Centre, Colombo 1. Tel: +94 11 5 884 400 (Hunting) Fax: +94 11 5 884 401 E-mail: info@fge.lk</p>	<p>Taprobane Securities (Pvt) Ltd. 2nd Floor, No. 10, Gothami Road, Colombo 08. Tel: +94 11 5 328 200, +94 11 5 328 100 Fax: +94 11 5 328 177 E-mail: info@taprobane.lk</p>
<p>Candor Equities Ltd. Level 8, South Wing, Millennium House, 46/58 Nawam Mawatha, Colombo 02. Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info.cel@candorh.com</p>	<p>Softlogic Stockbrokers (Pvt) Ltd Level 16, One Galle Face Tower, Colombo 02. Tel: +94 11 7 277 000 Fax: +94 11 7 277 099 Email: ssb.inquiry@softlogic.lk</p>
<p>Enterprise Ceylon Capital (Private) Limited. No.73/1, Dharmapala Mawatha, Colombo 7 Tel: +94 11 244 5644, 11 230 1861/2 E-mail: info@ecc.lk</p>	<p>TKS Securities (Pvt) Ltd. (Inactivated Operations) 4th Floor, No. 245, Dharmapala Mawatha, Colombo 7. Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: info@tks.lk</p>
<p>Richard Pieris Securities (Pvt) Ltd. No.310, High Level Road, Nawinna, Maharagama Tel: +94 11 431 0500 Fax: +94 11 280 2385 Email: communication@rpsecurities.com</p>	<p>Navara Securities (Pvt) Ltd No. 12B Gregory's Road, Colombo 7. Tel: +94 11 2 358 700 / 20 Fax: +94 11 5 005 551 Email: info@navarasecurities.lk</p>

## 5. UBF Branch Network

Branch Name	General	Address
Head Office	0114 468 888	No. 10, Daisy Villa Avenue, Colombo 04
Colombo - Factoring Premier Office	0114 501 343	No. 12, R.A.De Mel Mawatha, Colombo 05
Ambalangoda Branch	0917 634 600	No. 27, Wickramasooriya Road, Ambalangoda
Gampaha Branch	0334 501 520	No. 56, Bauddhaloka Mw, Gampaha
Galle Branch	0917 634 577	No. 121, Colombo Road, Kaluwella, Galle
Kadawatha Branch	0117 634 577	No. 143/B, Kandy Road, Kadawatha
Kalmunai Branch	0674 501 011	No. 141 B, Main Street, Kalmunai
Kandy Branch	0817 634 577	No. 75, Yatinuwara Veediya, Kandy
Kurunegala Branch	0377 634 577	No. 64, Jayawansa Building, Colombo Road, Kurunegala
Mathara Branch	0417 634 577	No. 268, Dharmapala Mawatha, Matara
Mawanella Branch	0357 634 577	No. 89, Kandy Road, Mawanella
Negombo Branch	0317 634 577	No. 539, Colombo Road, Kurana, Negombo
Nuwara Eliya Branch	0524 650 300	No. 32/1, Park Road, Nuwaraeliya
Panadura Branch	0387 634 577	No. 223A, 1st Floor, Galle Road, Panadura
Polonnaruwa Branch	0277 634 577	No. 05, Batticaloa Road, Polonnaruwa
Rathnapura Branch	0454 650 300	No. 10, Colombo Road, Rathnapura

# INITIAL PUBLIC OFFERING

## PROSPECTUS

**ANNEXURE - C**

**CUSTODIAN BANKS**

Financial Advisors and Managers to the Issue



## ANNEXURE C – CUSTODIAN BANKS

<b>Bank of Ceylon</b> Head Office 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01. Tel: +94 112 204064	<b>The Hongkong and Shanghai Banking Corporation Limited</b> 24, Sir Baron Jayathilake Mawatha, Colombo 01. Tel: +94 11 2 325 435, +94 11 2 446 591, +94 11 2 446 303
<b>Citi Bank, N A</b> 65 C, Dharmapala Mawatha, P. O. Box 888, Colombo 07. Tel: +94 114 794728	<b>People's Bank</b> Head Office - Treasury, 5th Floor, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel: +94 11 2 206782
<b>Commercial Bank of Ceylon PLC</b> Commercial House 21, Bristol Street, P.O. Box 853, Colombo 01. Tel: +94 11 2 445 010-15	<b>Public Bank Berhad</b> 340, R A De Mel Mawatha, Colombo 03. Tel: +94 11 2 576 289, +94 11 7 290 200-7
<b>Deutsche Bank AG</b> P.O. Box 314, 86, Galle Road, Colombo 03. Tel: +94 11 2 447 062 / 011 2 438 057	<b>Standard Chartered Bank</b> 37, York Street, P. O. Box 112, Colombo 01. Tel: +94 112 480450
<b>Hatton National Bank PLC</b> HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10. Tel: +94 112 661 762	<b>Sampath Bank PLC</b> 110, Sir James Peiris Mawatha, Colombo 02. Tel: +94 115 331458, +94 114 730662
<b>Union Bank of Colombo PLC</b> 64, Galle Road, Colombo 03. Tel: +94 112 374205	<b>State Bank of India</b> 16, Sir Baron Jayathilake Mawatha, Colombo 01. Tel: +94 114 622350
<b>Nations Trust Bank PLC</b> 256, Sri Ramanathan Mawatha, Colombo 15 Tel: +94 114 313131	<b>Seylan Bank PLC</b> Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03. Tel: +94 11 4 701 812, 011 4 701 819
<b>Pan Asia Banking Corporation PLC</b> Head Office 450, Galle Road, Colombo 03. Tel: +94 11 2 565 565	

**INITIAL  
PUBLIC  
OFFERING**

# PROSPECTUS

## ANNEXURE - D

### ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY

Financial Advisors and Managers to the Issue



APAG/WDPL/LY

Board of Directors  
UB Finance Company Limited  
No 10, Daisy Villa Avenue  
Colombo 04

26 September 2022

## **Accountants' Report UB Finance Company Limited**

Dear Sirs/Mesdames

### **Introduction**

This report has been prepared for the purpose of inclusion in the prospectus issued in connection with the issue of 55,000,000 New Ordinary Shares of UB Finance Company Limited (Initial issue) to be listed on the Diri Sav Board of the Colombo Stock Exchange at LKR 1/- per share.

We have examined the financial statements of UB Finance Company Limited ("the Company") report as follows.

### **1. Incorporation**

#### **Company**

UB Finance Company Limited is a Limited Liability Company, incorporated and domiciled in Sri Lanka. The Company was originally incorporated as The Finance & Guarantee Company Limited on 12 July 1961 under the Companies Ordinance No. 51 of 1938 and was re-registered as required under the provision of the Companies Act No.7 of 2007. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and Finance Leasing Act, No 56 of 2000 of Sri Lanka.

### **2. Financial Information**

#### **2.1 Five-year Summary of Audited Financial Statements**

A summary of the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flow of the Company for the financial years ended 31 March 2018 to 31 March 2022, based on the audited Financial Statements are out on Annexure 01 of the Accountants' Report.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACA, D L B Karunathilaka ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

## **2.2 Audited Financial Statements for the Year Ended 31 March 2022**

Our audit report on the Financial Statements of the Company for the year ended 31 March 2022 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow along with the accounting policies and notes thereon is available with the management of UB Finance Company Limited.

## **2.3 Audit opinions for the years ended 31 March 2018,2019,2020,2021 and 2022**

We have audited the Financial Statements of the Company for the years ended 31 March 2018 to 31 March 2022. Unmodified audit opinions have been issued for the said financial years by our reports dated 28 June 2018, 28 June 2019,29 June 2020, 28 June 2021 and 29 June 2022 respectively.

With regard to the Financial Statement of the Company for the year ended 31 March 2021, we drew attention to note 27.1 to the financial statements in relation to the Minimum Core Capital and Capital Adequacy Requirements of the Company as stipulated by the directions on minimum Core Capital and Capital Adequacy Requirements by Central Bank of Sri Lanka and proposed plans by management to comply with the said requirements. Our opinion was not modified in respect of this matter.

## **2.4 Accounting Policies**

The accounting policies of the Company which comply with Sri Lanka Accounting Standards are stated in the audited financial statements of UB finance Company Limited for the years ended 31 March 2018 to 31 March 2022.

## **2.5 Dividends**

The Company has not declared and paid dividends in respect of Ordinary Voting Shares for the years ended 31 March 2018 to 31 March 2022.

## **2.6 Events after Reporting Date**

There were no significant events occurred after the last audit report date.

Yours faithfully



UB Finance Company Limited  
5 YEARS INCOME STATEMENT

For the Year Ended March 31	2018	2019	2020	2021	2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Income	2,010,850,282	2,152,702,226	1,943,710,342	1,608,306,843	1,648,254,299
Interest Income	1,904,703,382	2,066,869,420	1,821,735,283	1,521,219,935	1,522,320,560
Interest Expenses	(1,292,033,238)	(1,345,413,836)	(1,228,463,364)	(928,895,566)	(678,976,561)
<b>Net Interest Income</b>	<b>612,670,144</b>	<b>721,455,584</b>	<b>593,271,919</b>	<b>592,324,369</b>	<b>843,343,999</b>
Fee and Commission Income	85,026,818	64,564,941	51,505,861	36,679,324	54,009,140
Fee and Commission Expenses	(32,985,998)	(21,050,908)	(9,591,963)	(11,763,350)	(32,127,799)
<b>Net Fee and Commission Income</b>	<b>52,040,820</b>	<b>43,514,032</b>	<b>41,913,898</b>	<b>24,915,974</b>	<b>21,881,341</b>
Other Operating Income (Net)	21,120,082	21,267,866	70,469,198	50,407,584	71,924,599
<b>Total Operating Income</b>	<b>685,831,046</b>	<b>786,237,481</b>	<b>705,655,015</b>	<b>667,647,927</b>	<b>937,149,939</b>
Impairment Charge for Loans and Receivables and Other Assets	(132,135,563)	(214,352,676)	(172,851,657)	(213,065,391)	(264,058,348)
<b>Net Operating Income</b>	<b>553,695,483</b>	<b>571,884,805</b>	<b>532,803,358</b>	<b>454,582,536</b>	<b>673,091,591</b>
Staff Costs	(170,344,838)	(193,257,023)	(194,799,687)	(181,916,813)	(216,695,492)
Depreciation of Property, Plant and Equipment	(22,133,078)	(28,909,703)	(49,567,810)	(46,932,848)	(47,401,866)
Amortisation of Intangible Assets	(1,426,464)	(1,595,028)	(1,808,689)	(2,085,856)	(2,295,963)
Other Expenses	(220,208,106)	(248,745,701)	(185,365,498)	(146,154,684)	(182,079,262)
<b>Operating Profit before Value Added Tax (VAT) and NBT</b>	<b>139,582,997</b>	<b>99,377,351</b>	<b>101,261,674</b>	<b>77,492,335</b>	<b>224,619,008</b>
Value Added Tax (VAT) and NBT on Financial Services	(51,321,688)	(44,639,752)	(41,678,487)	(35,870,630)	(63,189,514)
Debt Repayment Levy (DRL)	-	(8,543,122)	(16,498,892)	-	-
<b>Profit Before Taxation</b>	<b>88,261,309</b>	<b>46,194,476</b>	<b>43,084,295</b>	<b>41,621,705</b>	<b>161,429,494</b>
Tax Expense	(16,392,519)	(26,047,047)	(37,698,726)	(82,747,393)	(80,308,867)
<b>Profit for the Year</b>	<b>71,868,790</b>	<b>20,147,430</b>	<b>5,385,569</b>	<b>(41,125,688)</b>	<b>81,120,627</b>
Earnings per Share: Basic / Diluted	0.04	0.01	0.002	(0.058)	0.067



## 5 YEARS STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended March 31	2018	2019	2020	2021	2022
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Profit for the Year</b>	<b>71,868,790</b>	<b>20,147,430</b>	<b>5,385,569</b>	<b>(41,125,688)</b>	<b>81,120,627</b>
<b>Other Comprehensive Income to be reclassified to Income Statement</b>					
Losses on re-measuring Available-for-Sale financial assets					
Impairment adjustment for Available-for-Sale Investment					
Recycling into Income Statement	277,915	-			
<b>Other Comprehensive Income not to be reclassified to Income Statement</b>					
Gains on revaluation of land and buildings	-		20,475,000		-
Deferred Tax (Charge)/Reversal impact on above	(11,104,421)		(5,733,000)		
Gain on creating Investment in Shares				15,425,321	6,107,292
Deferred Tax Charge on creating Investment in Shares				(3,702,078)	(1,465,750)
Actuarial gains/(losses) on Post Employment Liability	5,378,191	(979,092)	2,604,778	(233,218)	(1,105,894)
Deferred Tax (Charge)/Reversal impact on above	(1,505,893)	274,146	(729,338)	55,973	265,415
<b>Other Comprehensive Income for the Year, net of taxes</b>	<b>(6,954,208)</b>	<b>(704,946)</b>	<b>16,617,440</b>	<b>11,545,998</b>	<b>3,801,063</b>
<b>Total Comprehensive Income for the Year</b>	<b>64,914,582</b>	<b>19,442,484</b>	<b>22,003,009</b>	<b>(29,579,690)</b>	<b>84,921,690</b>



UB Finance Company Limited  
5 YEARS STATEMENT OF FINANCIAL POSITION

As at March 31	2018	2019	2020	2021	2022
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash in Hand and Balances with Banks	455,042,958	473,888,928	222,422,802	250,371,228	232,409,217
Reverse Repurchased Agreements	455,652,248	546,524,988	593,665,852	348,593,012	646,588,114
Sri Lanka Government Securities - Available for Sale					
Financial Assets at amortized cost - Loans and Advances to Customers		8,785,229,424	7,739,233,708	6,901,226,151	8,632,676,626
Loans and Receivables from Customers	9,452,656,902	-			
Financial assets measured at fair value through Other Comprehensive Income	-	200,900	200,900	15,626,221	21,733,514
Financial Investments - Available for Sale	200,900				
Investment in Fixed Deposit		505,040,564			
Investment in Commercial Paper	158,703,642				
Investment in Real Estate	163,828,425	120,791,395	111,840,775	100,376,689	89,109,662
Other Assets	79,402,061	111,842,459	77,701,937	52,895,525	60,961,483
Intangible Assets	8,427,137	7,935,521	9,980,343	10,431,787	8,623,224
Property, Plant and Equipment	188,612,501	245,353,658	298,330,157	275,796,861	240,489,102
Deferred Tax Assets	188,272,861	329,870,991	296,981,818	231,680,951	150,171,748
<b>Total Assets</b>	<b>11,150,799,635</b>	<b>11,126,678,828</b>	<b>9,350,358,292</b>	<b>8,186,998,425</b>	<b>10,082,762,690</b>
<b>Liabilities</b>					
<b>Financial Liabilities at amortized cost</b>					
Due to Banks	151,969,768	156,482,133	218,242,322	65,852,420	83,954,874
Due to other Customers	7,237,344,201	7,219,951,634	6,160,288,773	4,440,689,054	4,892,138,425
Other Borrowed Funds	2,225,701,258	2,725,340,507	1,929,881,108	2,633,094,540	1,937,874,490
Current Tax Liabilities	7,927,260	7,927,260	2,418,340	2,418,340	-
Financial Liabilities	230,495,648	107,690,424	65,586,629	105,531,603	149,146,508
Other non Financial Liabilities	103,551,734	122,084,845	187,264,110	180,883,418	184,993,737
Post Employment Liability	12,790,282	17,122,708	18,920,387	20,352,117	23,346,596
<b>Total Liabilities</b>	<b>9,969,780,151</b>	<b>10,356,599,511</b>	<b>8,582,601,669</b>	<b>7,448,821,492</b>	<b>7,271,454,630</b>
<b>Equity</b>					
Stated Capital	3,152,047,599	1,028,272,810	1,028,272,810	1,028,272,810	3,016,482,247
Statutory Reserve Fund	52,044,800	66,854,606	67,931,720	67,931,720	71,987,751
Fair Value Reserve		-	-	11,723,243	16,364,786
Revaluation Reserves	28,554,226	28,554,226	49,029,226	49,029,226	49,029,226
Accumulated Loss	(2,051,627,141)	(353,602,325)	(377,477,133)	(418,780,066)	(342,555,950)
<b>Total Shareholders' Equity</b>	<b>1,181,019,484</b>	<b>770,079,317</b>	<b>767,756,623</b>	<b>738,176,933</b>	<b>2,811,308,060</b>
<b>Total Equity and Liabilities</b>	<b>11,150,799,635</b>	<b>11,126,678,828</b>	<b>9,350,358,292</b>	<b>8,186,998,425</b>	<b>10,082,762,690</b>

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

  
Asanka Udugama  
Deputy General Manager - Finance

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

  
Sabry Ghouse  
Director

  
Ransith Karunaratne  
Director/Chief Executive Officer

26-September-2022



## 5 YEARS STATEMENT OF CHANGES IN EQUITY

For the Year Ended March 31	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Available-for-Sale Reserve	Revaluation Reserves	Accumulated Profit/(Loss)	Total
	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
<b>Balance as at 31 March 2017</b>	<b>2,851,987,469</b>	<b>48,451,361</b>	-	<b>(277,915)</b>	<b>39,658,647</b>	<b>(2,123,774,789)</b>	<b>816,044,773</b>
Other Comprehensive Income	-	-	-	277,915	(11,104,421)	3,872,297	(6,954,209)
Issue of Shares	300,060,130	-	-	-	-	-	300,060,130
Profit for the year	-	-	-	-	-	71,868,790	71,868,790
Transfer to Statutory Reserve	-	3,593,439	-	-	-	(3,593,439)	-
<b>Balance as at 31 March 2018</b>	<b>3,152,047,599</b>	<b>52,044,800</b>	-	-	<b>28,554,226</b>	<b>(2,051,627,141)</b>	<b>1,181,019,484</b>
Transitional adjustment on the SLFRS 9	-	-	-	-	-	(597,753,682)	(597,753,682)
Deferred tax on transitional adjustment	-	-	-	-	-	167,371,031	167,371,031
<b>Restated opening balance as at 1 April 2018 as per SLFRS 9</b>	<b>3,152,047,599</b>	<b>52,044,800</b>	-	-	<b>28,554,226</b>	<b>(2,482,009,792)</b>	<b>750,636,833</b>
Share reduction	(2,123,774,789)	-	-	-	-	2,123,774,789	-
Other Comprehensive Income	-	-	-	-	-	(704,946)	(704,946)
Profit for the year	-	-	-	-	-	20,147,430	20,147,430
Transfer to Statutory Reserve	-	14,809,806	-	-	-	(14,809,806)	-
<b>Balance as at 31 March 2019</b>	<b>1,028,272,810</b>	<b>66,854,606</b>	-	-	<b>28,554,226</b>	<b>(353,602,325)</b>	<b>770,079,317</b>
Share reduction	-	-	-	-	-	-	-
Transitional adjustment on the implementation of SLFRS 16	-	-	-	-	-	(24,325,704)	(24,325,704)
Other Comprehensive Income	-	-	-	-	20,475,000	(3,857,560)	16,617,440
Profit for the year	-	-	-	-	-	5,385,569	5,385,569
Transfer to Statutory Reserve	-	1,077,114	-	-	-	(1,077,114)	-
<b>Balance as at 31 March 2020</b>	<b>1,028,272,810</b>	<b>67,931,720</b>	-	-	<b>49,029,226</b>	<b>(377,477,133)</b>	<b>767,756,623</b>
Transitional adjustment on the implementation of SLFRS 16	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	11,723,243	-	-	(177,245)	11,545,998
Profit for the year	-	-	-	-	-	(41,125,688)	(41,125,688)
Transfer to Statutory Reserve	-	-	-	-	-	-	-
<b>Balance as at 31 March 2021</b>	<b>1,028,272,810</b>	<b>67,931,720</b>	<b>11,723,243</b>	-	<b>49,029,226</b>	<b>(418,780,066)</b>	<b>738,176,933</b>
Right Issue	1,988,209,437	-	-	-	-	-	1,988,209,437
Transitional adjustment on the implementation of SLFRS 16	-	-	-	-	-	-	-
Other Comprehensive Income (Net of deferred tax)	-	-	4,641,543	-	-	(840,479)	3,801,064
Profit for the year	-	-	-	-	-	81,120,627	81,120,627
<b>Transfer to Statutory Reserve</b>	-	<b>4,056,031</b>	-	-	-	<b>(4,056,031)</b>	-
<b>Balance as at 31 March 2022</b>	<b>3,016,482,247</b>	<b>71,987,751</b>	<b>16,364,786</b>	-	<b>49,029,226</b>	<b>(342,555,950)</b>	<b>2,811,308,060</b>



UB Finance Company Limited  
5 YEARS STATEMENT OF CASH FLOWS

For the Year Ended March 31	2018	2019	2020	2021	2022
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cash Flow from Operating Activities</b>					
Interest Received	1,892,813,410	1,909,466,344	1,993,276,581	1,539,044,882	1,439,545,040
Fees and Commission Receipts	85,026,818	64,564,941	51,505,861	36,679,324	54,009,140
Interest Paid	(1,226,261,607)	(1,315,772,134)	(1,197,190,353)	(927,445,986)	(741,900,332)
Fees and Commission Paid	(32,985,998)	(21,050,908)	(9,591,963)	(11,763,350)	(32,127,799)
Payments on Other Operating Activities	(394,225,356)	(423,575,167)	(404,662,438)	(352,521,954)	(426,823,293)
<b>Operating Profit/ (loss) before changes in Operating Assets and Liabilities</b>	<b>324,367,267</b>	<b>213,633,075</b>	<b>433,337,688</b>	<b>283,992,916</b>	<b>292,702,756</b>
<b>(Increase) /Decrease in Operating Assets:</b>					
Funds Advanced to Customers	(1,103,706,040)	47,944,550	714,296,748	584,809,507	(1,912,853,046)
Others	(20,314,369)	(32,440,398)	44,342,699	3,713,781	(8,065,958)
<b>Increase in Operating Liabilities:</b>					
Due to banks and other customers	1,116,638,860	25,127,414	(1,058,457,357)	(1,736,273,250)	464,228,327
Others	18,940,826	(142,899,354)	(85,483,731)	51,661,249	47,725,225
<b>Net Cash used in Operating Activities before Income Tax</b>	<b>335,926,544</b>	<b>111,365,287</b>	<b>48,036,049</b>	<b>(812,095,796)</b>	<b>(1,116,262,696)</b>
Retiring Gratuity paid	(312,500)	(985,533)	(348,206)	(3,317,287)	(2,402,963)
Income Tax	(9,522,814)	-	(10,202,177)	-	-
<b>Net Cash used in Operating Activities</b>	<b>326,091,230</b>	<b>110,379,754</b>	<b>37,485,666</b>	<b>(815,413,083)</b>	<b>(1,118,665,659)</b>
<b>Cash Flow from Investing Activities</b>					
Dividends Received	342,450	18,576	21,672	1,930,050	471,600
Purchase of Intangible Assets	(865,691)	(1,103,412)	(3,853,511)	(2,537,300)	(487,400)
Purchase of Property and Equipment	(11,017,728)	(90,716,821)	(11,995,930)	(15,833,705)	(17,031,729)
Proceeds from Sale of Property and Equipment	6,950,000	6,285,000	6,590,000	12,110,000	8,190,000
Proceeds from Sale of Real Estate	-	-	14,501,405	22,972,750	34,405,838
Proceeds from Sale of Gold & Diamond Stocks	1,613,371	-	-	-	-
Proceeds from Sale of quoted equity securities	431,961	-	-	-	-
Receipt in unit trusts	663,147	-	-	-	-
Investments in government securities	8,945,906	-	-	-	-
<b>Net Cash used in Investing Activities</b>	<b>7,063,416</b>	<b>(85,516,657)</b>	<b>5,263,636</b>	<b>18,641,795</b>	<b>25,548,309</b>
<b>Cash Flow from Financing Activities</b>					
Increase in Borrowings	235,180,857	426,680,167	(813,875,318)	732,036,778	(633,161,450)
Issues of Share (Right Issue)	300,060,130	-	-	-	1,988,209,437
<b>Net Cash generated from Financing Activities</b>	<b>535,240,987</b>	<b>426,680,167</b>	<b>(813,875,318)</b>	<b>732,036,778</b>	<b>1,355,047,987</b>
<b>Net (Decrease) / increase in Cash and Cash Equivalents</b>	<b>868,395,633</b>	<b>451,543,265</b>	<b>(771,126,016)</b>	<b>(64,734,512)</b>	<b>261,930,637</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>49,033,448</b>	<b>917,429,081</b>	<b>1,368,972,347</b>	<b>597,846,332</b>	<b>533,111,820</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>917,429,081</b>	<b>1,368,972,347</b>	<b>597,846,332</b>	<b>533,111,820</b>	<b>795,042,457</b>
<b>Reconciliation of Cash and Cash Equivalents</b>					
Cash in Hand	649,915	18,752,608	19,781,410	34,825,262	35,802,744
Balances with Banks (Net of Overdraft)	302,423,276	298,654,187	(15,600,930)	149,693,546	112,651,599
Reverse Repurchased Agreements	455,652,248	546,524,988	593,665,852	348,593,012	646,588,114
Investment in Fixed Deposits	158,703,642	505,040,564	-	-	-
	<b>917,429,081</b>	<b>1,368,972,347</b>	<b>597,846,332</b>	<b>533,111,820</b>	<b>795,042,457</b>



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# PROSPECTUS

## ANNEXURE - E

### AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022

Financial Advisors and Managers to the Issue



# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10 Sri Lanka

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ey.com

APAG/RM/AD

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UB FINANCE COMPANY LIMITED

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of UB Finance Company Limited ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss, 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 give a true and fair view of the financial position of the Company 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 Company 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.

## 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.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekara FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G S S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



## INDEPENDENT AUDITOR'S REPORT



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 disclosure 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.

### 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.



29 June 2022  
Colombo

UB FINANCE COMPANY LIMITED  
STATEMENT OF PROFIT AND LOSS  
Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
<b>Income</b>	4	<b>1,648,254,299</b>	<b>1,608,306,843</b>
Interest Income	4.1	1,522,320,560	1,521,219,935
Interest Expenses	4.2	(678,976,561)	(928,895,566)
<b>Net Interest Income</b>		<b>843,343,999</b>	<b>592,324,368</b>
Fee and Commission Income	4.3	54,009,140	36,679,324
Fee and Commission Expenses	4.3	(32,127,799)	(11,763,350)
<b>Net Fee and Commission Income</b>		<b>21,881,341</b>	<b>24,915,975</b>
Other Operating Income (Net)	5	71,924,599	50,407,584
<b>Total Operating Income</b>		<b>937,149,939</b>	<b>667,647,927</b>
Impairment Charge for Loans and Advances and Other Assets	6	(264,058,348)	(213,065,391)
<b>Net Operating Income</b>		<b>673,091,591</b>	<b>454,582,537</b>
Staff Costs	7	(216,695,492)	(181,916,813)
Depreciation of Property, Plant and Equipment	19.1	(47,401,866)	(46,932,848)
Amortisation of Intangible Assets	18	(2,295,963)	(2,085,856)
Other Expenses	8	(182,079,262)	(146,154,684)
<b>Operating Profit before Value Added Tax on Financial Services (VAT on FS)</b>		<b>224,619,008</b>	<b>77,492,335</b>
Value Added Tax on Financial Services (VAT on FS)		(63,189,514)	(35,870,630)
<b>Profit Before Taxation</b>		<b>161,429,494</b>	<b>41,621,705</b>
Tax Expense	9	(80,308,867)	(82,747,393)
<b>Profit for the Year</b>		<b>81,120,627</b>	<b>(41,125,688)</b>
Earnings per Share: Basic	10	0.067	(0.058)

The Accounting Policies and Notes on pages 8 through 57 form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
Profit for the Year		81,120,627	(41,125,688)
<b>Other Comprehensive Income to be reclassified to Income Statement</b>			
<b>Other Comprehensive Income not to be reclassified to Income Statement</b>			
Gains on revaluation of land and buildings	19.1	-	-
Deferred Tax Charge impact on revaluation	20	-	-
Gain on creating Investment in Shares	15.1	6,107,292	15,425,321
Deferred Tax Charge on creating Investment in Shares	20	(1,465,750)	(3,702,078)
Actuarial gains /(losses) on Post Employment Liability	26	(1,105,894)	(233,218)
Deferred Tax (Charge) /Reversal impact on above	20	265,415	55,973
Other Comprehensive Income for the Year, net of taxes		3,801,063	11,545,999
<b>Total Comprehensive Income for the Year</b>		<b>84,921,690</b>	<b>(29,579,689)</b>

The Accounting Policies and Notes on pages 8 through 57 form an integral part of these financial statements.

**UB FINANCE COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2022

	Note	2022 Rs.	2021 Rs.
<b>Assets</b>			
Cash in Hand and Balances with Banks	12	232,409,217	250,371,228
Reverse Repurchased Agreements	13	646,588,114	348,593,012
Financial Assets at amortized cost - Loans and Advances to Customers	14	8,632,676,626	6,901,226,151
Financial assets measured at fair value through Other Comprehensive Income	15	21,733,514	15,626,221
Investment in Real Estate	16	89,109,662	100,376,689
Other Assets	17	60,961,483	52,895,525
Intangible Assets	18	8,623,224	10,431,787
Property, Plant and Equipment	19	240,489,102	275,796,861
Deferred Tax Assets	20	150,171,748	231,680,951
<b>Total Assets</b>		<b>10,082,762,690</b>	<b>8,186,998,425</b>
<b>Liabilities</b>			
<b>Financial Liabilities at amortized cost</b>			
Due to Banks	21	83,954,874	65,852,420
Due to other Customers	22	4,892,138,425	4,440,689,054
Other Borrowed Funds	23	1,937,874,490	2,633,094,539
Current Tax Liabilities		-	2,418,340
Financial Liabilities	24	149,146,508	105,531,603
Other non Financial Liabilities	25	184,993,737	180,883,419
Post Employment Liability	26	23,346,596	20,352,117
<b>Total Liabilities</b>		<b>7,271,454,630</b>	<b>7,448,821,492</b>
<b>Equity</b>			
Stated Capital	27	3,016,482,247	1,028,272,810
Statutory Reserve Fund	28	71,987,751	67,931,720
Fair Value Reserve		16,364,786	11,723,243
Revaluation Reserves		49,029,226	49,029,226
Accumulated Loss	29	(342,555,950)	(418,780,066)
<b>Total Shareholders' Equity</b>		<b>2,811,308,060</b>	<b>738,176,933</b>
<b>Total Equity and Liabilities</b>		<b>10,082,762,690</b>	<b>8,186,998,425</b>

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



**Asanka Udugama**  
Deputy General Manager - Finance

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



**Raj Moahan Balendra**  
Director



**Ransith Karunaratne**  
Director | Chief Executive Officer

The Accounting Policies and Notes on pages 8 through 57 form an integral part of these financial statements.

29<sup>th</sup> June 2022  
Colombo

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	Note	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Revaluation Reserves	Accumulated Profit/(Loss)	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Balance as at 31 March 2020</b>		<b>1,028,272,810</b>	<b>67,931,720</b>	<b>-</b>	<b>49,029,226</b>	<b>(377,477,133)</b>	<b>767,756,623</b>
Share reduction		-	-	-	-	-	-
Transitional adjustment on the implementation of SLFRS 16		-	-	-	-	-	-
Other Comprehensive Income ( Net of deferred tax )		-	-	11,723,243	-	(177,245)	11,545,998
Profit for the year		-	-	-	-	(41,125,688)	(41,125,688)
Transfer to Statutory Reserve	28.1	-	-	-	-	-	-
<b>Balance as at 31 March 2021</b>		<b>1,028,272,810</b>	<b>67,931,720</b>	<b>11,723,243</b>	<b>49,029,226</b>	<b>(418,780,066)</b>	<b>738,176,933</b>
Right Issue		1,988,209,437	-	-	-	-	1,988,209,437
Transitional adjustment on the implementation of SLFRS 16		-	-	-	-	-	-
Other Comprehensive Income (Net of deferred tax)		-	-	4,641,543	-	(840,479)	3,801,064
Profit for the year		-	-	-	-	81,120,627	81,120,627
Transfer to Statutory Reserve	28.1	-	4,056,031	-	-	(4,056,031)	-
<b>Balance as at 31 March 2022</b>		<b>3,016,482,247</b>	<b>71,987,751</b>	<b>16,364,786</b>	<b>49,029,226</b>	<b>(342,555,950)</b>	<b>2,811,308,060</b>

The Accounting Policies and Notes on pages 8 through 57 form an integral part of these financial statements.

**UB FINANCE COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
<b>Cash Flow from Operating Activities</b>			
Interest Received	4.1	1,439,545,040	1,539,044,882
Fees and Commission Receipts	4.3	54,009,140	36,679,324
Interest Paid	4.2	(741,900,332)	(927,445,986)
Fees and Commission Paid	4.3	(32,127,799)	(11,763,350)
Payments on Other Operating Activities		(426,823,293)	(352,521,954)
<b>Operating Profit / (Loss) before changes in Operating Assets and Liabilities</b>		<b>292,702,756</b>	<b>283,992,917</b>
<b>(Increase) / Decrease in Operating Assets:</b>			
Funds Advanced to Customers	14	(1,912,853,046)	584,809,507
Others		(8,065,958)	3,713,781
<b>Increase in Operating Liabilities:</b>			
Due to Banks and Other Customers	22	464,228,327	(1,736,273,250)
Others		47,725,225	51,661,249
<b>Net Cash used in Operating Activities before Income Tax</b>		<b>(1,116,262,696)</b>	<b>(812,095,796)</b>
Retiring Gratuity paid	26	(2,402,963)	(3,317,287)
Income Tax		-	-
<b>Net Cash used in Operating Activities</b>		<b>(1,118,665,659)</b>	<b>(815,413,083)</b>
<b>Cash Flow from Investing Activities</b>			
Dividends Received	5	471,600	1,930,050
Purchase of Intangible Assets	18	(487,400)	(2,537,300)
Purchase of Property and Equipment	19	(17,031,729)	(15,833,705)
Proceeds from Sale of Property and Equipment		8,190,000	12,110,000
Proceeds from Sale of Real Estate		34,405,838	22,972,750
<b>Net Cash used in Investing Activities</b>		<b>25,548,309</b>	<b>18,641,795</b>
<b>Cash Flow from Financing Activities</b>			
Increase in Borrowings	23	(633,161,450)	732,036,778
Issues of Shares (Rights Issue)	27	1,988,209,437	-
<b>Net Cash Generated from Financing Activities</b>		<b>1,355,047,987</b>	<b>732,036,778</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>261,930,637</b>	<b>(64,734,512)</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>		<b>533,111,820</b>	<b>597,846,332</b>
<b>Cash and Cash Equivalents at End of the Year</b>		<b>795,042,457</b>	<b>533,111,820</b>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Cash in Hand		35,802,744	34,825,262
Balances with Banks (Net of Overdraft)		112,651,599	149,693,546
Reverse Repurchased Agreements		646,588,114	348,593,012
Investment in Fixed Deposits		-	-
		<b>795,042,457</b>	<b>533,111,820</b>

The Accounting Policies and Notes on pages 8 through 57 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

## 1. CORPORATE INFORMATION

### 1.1 General

UB Finance Company Limited is a Limited Liability Company, incorporated and domiciled in Sri Lanka. The Company was originally incorporated as The Finance & Guarantee Company Limited on 12 July 1961 under the Companies Ordinance No.51 of 1938 and was re-registered as required under the provision of the Companies Act No.7 of 2007 on 26th December 2007. The Company being a Finance Company is also registered with the Central Bank of Sri Lanka under the Finance Business Companies' Act No. 42 of 2011 and Finance Leasing Act No.56 of 2000 of Sri Lanka.

Union Bank of Colombo PLC (Parent company) together with its US based strategic investment partner ShoreCap II acquired The Finance & Guarantee Co. Ltd. on 1st November 2011. The Company was restructured, rebranded & launched as UB Finance Co. Ltd. on 25 April 2012. The Company's Registered Office / Head Office are currently located at No.10, Daisy Villa Avenue Colombo 04

### 1.2 Parent Entity and the Ultimate Controlling Parties

The Company's immediate parent is Union Bank of Colombo PLC and ultimate controlling party is TPG Asia GenPar VI, L.P, registered in the Cayman Island.

### 1.3 Principal Activities and Nature of Operations

As a Finance Company registered with the Monetary Board of the Central Bank of Sri Lanka, the principle business activities of the Company include investment activities such as accepting fixed deposits and savings accounts, finance activities such as providing lease, hire purchase and loan facilities, Gold Loan facilities, working capital activities such as factoring. The Company also deals in real estate and other investment and credit activities. Being the first finance company to be backed by a commercial bank in the private sector, UB Finance Company Limited is uniquely positioned to offer its customers "The versatility of a finance company backed by the strength of a bank".

### 1.4 Date of Authorization for Issue

The Financial Statements of UB Finance Company Limited for the year ended 31 March 2022 was authorized for issue in accordance with a resolution of the Board of Directors on 29 June 2022.

### 1.5 Director's Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of UB Finance Company Limited as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (LKAS/SLFRS).

## 2. BASIS OF PREPARATION & SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

#### 2.1.1 Statement of Compliance

The Statement of Profit & Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with Accounting Policies and notes (Financial Statements), as at 31 March 2022 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred as LKASs and SLFRSs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007 and the presentation of the financial statements is also in compliance with the requirements of the Finance Business Act No 42 of 2011.

#### 2.1.2 Basis of Measurement

The financial statements of the company have been prepared on a historical cost basis, except for land and building, Fair value through other comprehensive income instruments that have been measured at fair value and liabilities for defined benefit obligations is recognized as the present value of the defined benefit obligation.

#### 2.1.3 Functional and presentation currency

The financial statements are presented in Sri Lankan rupees which is the currency of the primary economic environment in which the Company operates.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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### 2.1.4 Presentation of Financial Statements

The Company presents their Statement of Financial Position by grouping assets and liabilities by nature and listing in order that reflects relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 32.14.3 to the financial statement.

### 2.1.5 Materiality and Aggregation

In compliance with LKAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard and as specifically disclosed in the accounting policies.

### 2.1.6 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements

The comparative information is reclassified wherever necessary to conform to the current year's presentation.

### 2.1.7 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 1 on 'Presentation of Financial Statements'.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the company is in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised on and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows,

#### 2.2.1 Going Concern

The Board of Directors of the Company 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. Furthermore, Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis.

#### 2.2.2 Fair value of financial instruments

The fair values of financial assets and financial liabilities recorded in the Statement of Financial Position which cannot be derived from active market, are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in Note 31 to the financial statements.

The Company measure fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 31

#### 2.2.3 Classification of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

##### 2.2.3.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 2.2.3.2 The Solely Payment of Principal and Interest (SPPI) Test

As the second step of its classification process the Company assesses the contractual terms of the financial to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-Minimis 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 amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

### 2.2.4 Fair value of financial instruments

The determination of fair value of financial assets and financial liabilities recorded 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 inputs of these models are derived from observable market data where possible, but if this is not available judgment is required to establish fair values.

The valuation of financial instrument is described in Note 31 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 31.4 to the Financial Statements.

### 2.2.5 Impairment Losses on Loans and Advances

The measurement of impairment losses under SLFRS 09 across all categories of financial assets require judgement. These estimates are driven by number of factors and the changes of these factors can result

in different levels of adjustments

#### 2.2.5.1 Individual Impairment Assessment

The Company reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the statement of Profit & Loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions which are based on a number of factors and actual results may differ, resulting in future changes to the impairment allowance made.

#### 2.2.5.2 Collective Impairment Assessment

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Company's 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 Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Defaults (PDs), Exposure at Defaults (EADs) and Loss Given Defaults (LGDs)
- A Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The Company's policy is to regularly review its models in the context of actual loss experience and adjust wherever necessary.

### 2.2.6 Useful lives of Property, Plant and Equipment and Intangibles

The Company reviews the assets' residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

### 2.2.7 Taxation

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgments were required to determine the total provision for current, deferred and other taxes in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made. The taxation is disclosed in more detail in Note 09.

### 2.2.8 Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and

level of future taxable profits, together with future tax-planning strategies. The deferred taxation is disclosed in more detail in Note 20.

### 2.2.9 Defined Benefit Plan

The cost of the defined benefit plan and the present value of its obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Refer Note 26 for more detail on Defined Benefit Plan.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the company.

### 2.2.10 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. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Refer Note 30 for more details on Commitments and Contingencies.

### 2.2.11 Revaluation of Property Plant and Equipment

The Company usually engages an external independent and qualified valuer once in three-year basis to determine the fair values. When significant changes in fair values are expected in between, a valuation is adopted in more regular basis, based on the judgment of the Board, appropriately advised by the valuer.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

Changes in fair value is recognized in other comprehensive income. The Company engaged an individual valuation specialist to assess fair value as at 31st March 2020 for land and building. Land and buildings are valued by reference to market based evidence, using comparable price adjusted for specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of the properties are provided in Note 19.4.

### **2.2.12 Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)**

The Company determines the lease term as the non-cancellable 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.

The Company has several lease contracts that include extension and termination options. The Company 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.

After the commencement date, the Company 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.

### **2.2.13 Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company 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 Company estimates the IBR using observable inputs such as market interest rates adjusted for a premium to reflect the terms and conditions of the lease.

## **2.3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies set out below have been applied consistently to all periods presented in the financial statements of the Company, unless otherwise indicated.

### **2.3.1 Cash and Cash Equivalents**

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand and balances with banks.

The balances of the cash in hand are recorded at book value and the balances with banks are carried at amortized cost in the Statement of Financial Position.

### **2.3.2 Reverse Repurchased Agreements**

Securities purchased under agreements to resell at a specified future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position net of impairment allowance, within "reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the Effective Interest Rate (EIR).

### **2.3.3 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement**

#### **2.3.3.1 Date of Recognition**

Financial assets and liabilities, with the exception of balances due to customers, are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. The Company recognizes balances due to customers when funds are transferred to the Company.

#### **2.3.3.2 Recognition and Initial measurement of Financial Instruments**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.2.2. Financial instruments are initially measured at their fair value plus or minus transaction costs that are directly

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at FVPL and trade receivables. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognizes the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is de-recognized.

### 2.3.3.3 Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized Cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVPL)

Financial liabilities are measured at amortized cost or at FVPL.

The subsequent measurement of the financial assets depends on their classification.

### 2.3.3.3.1 Financial Investments at Fair Value Through Profit or Loss

The Company classifies financial assets or financial liabilities as fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or from part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in the fair value are recorded in the Profit & Loss.

The Company does not have any financial instrument under this category

### 2.3.3.3.2 Financial Assets at Amortized Cost – Loans and receivables from Customers

The Company only measures Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The company classified Reverse Repurchased, Loans and Advances to customers and other assets under this category (Refer Note 11).

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR), less allowance for impairment. The amortization is included in 'Interest income' and the losses arising from impairment are recognized in 'Impairment for loans and other losses' in the Statement of Profit or Loss.

### Write-offs

Loans and the related impairment allowance accounts are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security.

### Collateral Valuation

To the extent possible, the Company uses market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral such as real estate is valued based on data provided by third parties such as independent valuers, audited financial statements and other independent sources.

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### 2.3.3.3.3 Financial Investments at Fair Value Through Other Comprehensive Income

#### Policy applicable from 1 April 2018 Debt Instruments

The Company classifies financial instruments under SLRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost.

#### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value OCI. This election is made on an investment by investment basis.

The Company classifies Unquoted equity securities under this category (Refer 11).

### 2.3.3.3.4 Classification and Subsequent Measurement of Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the Statement of Profit or Loss. The Company has not designated any financial liabilities upon initial recognition, at fair value through profit or loss.

### 2.3.3.3.5 Classification and Subsequent Measurement of Financial Liabilities at amortized cost

Financial liabilities issued by the Company that are not designated as fair value through profit or loss are classified as liabilities under

'due to banks', 'due to customers' and 'other borrowed funds' 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 another entity, or to exchange financial assets or financial liabilities with another entity, under conditions that are potentially unfavorable to the entity or settling the obligation by delivering variable number of entity's own equity instruments. The details of financial liabilities measured at amortized cost are given in Note 21-24 to the financial statements.

#### Due to Banks

Due to Banks include overdraft facilities. Subsequent to initial recognition, these are measured at their amortized cost using the effective interest rate method. Amortized cost is calculated by taking in to account any discount or premium on the issue and cost that are an integral part of the EIR. The EIR amortization is included in 'Interest expenses' in the Statement of Profit or Loss.

#### Due to Customers

Due to customers include non-interest-bearing deposits, savings deposits, fixed deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the effective interest rate method, which are recognized in the Statement of Profit or Loss under 'Interest expenses'.

#### Other Borrowed Funds

Other borrowed funds include borrowings from banking and non-banking institutions. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method, which are recognized in the Statement of Profit or Loss under 'Interest expenses'.

## 2.3.4 Impairment of Financial Assets

### Financial Assets carried at amortized cost

For the financial assets carried at amortized cost, such as Cash and cash equivalent, Balances with Central Bank, Placements with Banks, Reverse repurchased agreements, Loans and receivables customers, other loans and receivables, held to maturity investments and other financial assets, The Company first assesses individually whether objective evidence of impairment exists for financial



## NOTES TO THE FINANCIAL STATEMENTS

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assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of a true allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'other income'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the most recent EIR. If the Company has reclassified trading assets to loans and receivables, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not

foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the product category that considers similar credit risk characteristics such as collateral type, past-due status and other relevant factors.

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from year to year (such as changes in unemployment rates, gross domestic production - GDP rate, inflation, exchange rate or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Company recognizes the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition by, considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 as described below

- Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12 months Expected Credit Loss (12mECL). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. Facilities which are within 30 days are in Stage 1

## NOTES TO THE FINANCIAL STATEMENTS

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- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Life Time Expected Credit Loss (LTECL). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Facilities which are within 31 to 90 days due are in Stage 2.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs. Facilities which are more than 90 days due are in Stage 3.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

### The calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The Company has used the LGD rates published by the Central Bank of Sri Lanka for retail loans as the related products have inadequate credit history to compute their own LGDs.
- Economic Factor Adjustment:

In its ECL models, the Company relies on a

broad range of forward looking information as economic inputs, such as:

- o GDP growth
- o Unemployment rates
- o Interest rates
- o Inflation

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

### 2.3.5 De-recognition of Financial Assets and Financial Liabilities

#### 2.3.5.1 De-recognition due to substantial modification of terms and conditions

The Company de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### 2.3.5.2 De-recognition other than for substantial modification

##### Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognized when the rights to receive cash flows from the financial asset have expired. The Company also de-recognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset, or

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- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset,

the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

### 2.3.6 Fair Value Determination and Measurement

#### 2.3.6.1 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

#### 2.3.6.2 Measurement of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most

## NOTES TO THE FINANCIAL STATEMENTS

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advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Details of fair value of assets and liabilities and their inputs based on fair value hierarchy is given in Note 31 to the financial statement.

### 2.3.6.3 Fair Value Hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

#### Level 1

***Inputs that are unadjusted quoted market prices in an active market for identical instruments***

When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. 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;

- (a) quoted market in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) 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 value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

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 bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

### 2.3.7 Real Estate Property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate property and is measured at the lower of cost and net realizable value.

Cost includes:

- Freehold rights for land
- Amounts paid to contractors for developments
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs,

Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of real estate property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

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### 2.3.8 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one period.

#### Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 16 "Property, plant and equipment".

#### Measurement

Property, plant and equipment is stated at cost/revaluation, net of accumulated depreciation and accumulated impairment losses if any. Initially property, plant and equipment are measured at its cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that computer equipment.

When parts of an items of property , plant and equipment have defferent useful lives,they are accounted for as separate items ( major components ) of property , plant and equipment.

#### Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Other operating income" in the Statement of Profit or Loss in the year the asset is de-recognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized at each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

#### Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation charges are determined separately for each significant part of an item of Property, plant and equipment and commence to depreciate when it is available for use. 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 de-recognized. Depreciation doesn't cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The estimated depreciation rates of the assets by equal annual installments are as follows.

Building	2.5%
Leasehold Improvements	10%
Computer and Equipment	25%
Furniture and Fittings	7.5%
Motor Vehicles	15%
Office equipment (Included under furniture & fittings)	15%

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The asset's residual value, useful life and method of depreciation are reviewed at each statement of financial position date and adjusted prospectively, as changes in accounting estimates.

### Cost model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

### Revaluation Model

The Company revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

### 2.3.9 Intangible Assets

#### Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

#### Software

Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

#### Estimated Useful Life of Intangible Assets

Intangible	Amortization Period
Computer Software	Over 10 years from the date of Available to use

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### Other Intangible Assets

Other intangible assets consist of brand value, asset management and advisory intangible, licenses and related infrastructure. Other intangible assets are initially recognized when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits



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attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

### Subsequent Measurement

These other intangible assets are with an indefinite useful life which shall not be amortized, is required to test for impairment by comparing its recoverable amount with its carrying amount on annually or whenever there is an indication that these intangible assets may be impaired. Accordingly, these other intangible assets are measured at cost less accumulated impairment losses.

### De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is de-recognized.

#### 2.3.10 Deferred Tax

Deferred tax assets are provided on all deductible temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Differred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred

tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### 2.3.11 Current Tax Asset/ Liabilities

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current year and any adjustments to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

#### 2.3.12 Other Assets

The Company classify all their other assets as 'Other financial assets' and 'Other non-financial assets'.

Refundable deposits are carried at the fair value. Advances and pre-payments are amortized during the period in which they are utilized and are carried at cost less provision for impairment.

Staff loans are granted below market interest rates. When the transaction price 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 Company recognize the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Statement of Profit or Loss over the tenor of the financial instrument using the EIR method.

The Day 1 difference is classified as 'Pre-paid staff cost' and is amortized over the loan period by using the EIR. The staff loans are subsequently measured at amortized costs.

#### 2.3.13 Impairment of non-Financial Assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU

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is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortization, if no impairment loss had been recognized.

### 2.3.14 Other Liabilities

Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

### 2.3.15 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In compliance with the Gratuity Act No. 12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who joined to the Company.

An actuarial valuation is carried out annually to ascertain the full liability under the fund, and this is stated under 'Post Employment Liability' in the Statement of Financial Position. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning

of the annual period to the defined benefit liability at the end of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Company's obligations.

The demographic assumptions underlying the valuation are retirement age, early withdrawals from service and retirement on medical grounds etc.

### Recognition of actuarial gains and losses

The Company recognizes the total actuarial gains and losses that arise in calculating the Company's obligation with respect to the plan in Other Comprehensive Income during the period in which it occurs.

### Funding arrangement

The gratuity liability is not externally funded.

### Principal Actuarial Assumptions

The principal assumptions used in the valuation were as follows:

Parameter	2022	2021
Discount Rate	12.5%	5.8%
Rate of salary increment	11.5%	5.0 %

The demographic assumptions underlying the valuation are retirement age 60, early withdrawals from service, and retirement on medical grounds, death before and after retirement, etc.

An actuarial valuation is carried out at every year end to ascertain the full liability under the fund.

### 2.3.16 Provisions

A provision is recognized if, as a result of a past event, the Company 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 recognized as finance cost.

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Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated

### 2.3.17 Regulatory Provision

#### **(a) Statutory Reserve Fund**

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) (i) of the said Direction.

#### **(b) Deposit Insurance and Liquidity Support Scheme**

In terms of the Finance Companies Act No. 78 of 1988, Direction No 2 of 2010 “Insurance of Deposit Liabilities” issued on 27 September 2010 and subsequent amendments there to all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010. The said scheme was renamed as the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No 1 of 2013.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following;

- a) deposit liabilities to member institutions
- b) deposit liabilities to Government of Sri Lanka
- c) deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- d) deposit liabilities held as collateral

against any accommodation granted

- e) deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% per annum payable monthly calculated on total amount of eligible deposits as at the end of the month. Member institutions shall remit the applicable amount of the premium within a period of 15 days from the end of the respective month and submit the details of deposits and calculation of premium in a format specified by the Director of Bank Supervision.

#### **(c) Crop Insurance Levy**

In terms Section 14 of the Finance Act No 12 of 2013 all institutions under the purview of Banking Act No 30 of 1988, Finance Companies Act No 78 of 1988 and Regulation of Insurance Industry Act No 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund Board effective from 01 April 2013.

### 2.3.18 Capital 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. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote. 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 in accordance with the Sri Lanka Accounting Standard – LKAS 37 on ‘Provision, Contingent Liabilities and Contingent Assets’.

To meet the financial needs of customers, the Company enters into various irrevocable commitments and contingent liabilities. These consist of guarantees, letters of credit and other undrawn commitments to lend.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

Letters of credit and acceptances commit the Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. They carry a similar credit risk to loans.

Pending legal claims against the Company too form part of commitments of the Company. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. But these contingent liabilities do contain credit risk and are therefore form part of the overall risk of the Company.

In the normal course of business, the Company entered into various irrevocable commitments and incurred certain contingent liabilities. These consists of guarantees, letters of credit and other undrawn commitments to lend.

Though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Company.

### RECOGNITION OF INCOME AND EXPENSES

#### 2.3.19 Gross Income

Gross Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria for each type of gross income are given under the specific income classifications.

#### 2.3.20 Net interest Income

Under both SLFRS 9 and LKAS 39, interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, similarly to interest bearing financial assets classified as available for sale or held to maturity under LKAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of

the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognizes interest income and interest expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than non performing assets (NPA). When a financial asset becomes non performing the Company suspends the accrual of interest. If the financial assets cures and is no longer non performing, the Company reverts to calculating interest income on a gross basis.

#### 2.3.21 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

#### 2.3.22 Net Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to its customers.

#### Fee and commission expenses

All the fee and commission expenses are expensed as the services are received. Fee and commission expenses are recognized on an accrual basis.

#### 2.3.23 Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Company are recognized as other operating income on accrual basis, such as gains on disposal of property, plant and equipment, gain from investments in real estate and foreign exchange gains/(losses).

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

Gains/(losses) arising from disposal of property, plant and equipment are recorded after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Revenue from the real estate sale is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

#### 2.3.24 Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established.

#### 2.3.25 Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognized on a cash basis.

#### 2.3.26 Impairment

The Company recognizes the changes in the impairment allowance for loans and receivables and other financial assets, which are assessed as per the SLFRS 9 - Financial Instruments.

#### 2.3.27 Personnel Expenses

Personnel expenses include salaries and bonus, terminal benefit charges, and other staff related expenses.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provisions for bonus is recognized if the Company has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

#### Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Company's Employees' Provident Fund and the Employees' Trust Fund respectively.

#### Defined Benefit Plans

Contributions to defined benefit plans are recognized in the Statement of Profit or Loss

based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19 - 'Employee Benefits'.

#### 2.3.28 Depreciation and Amortization

Depreciation and amortization are the systematic allocation of a depreciable amount of the property, plant and equipment and intangible assets over its useful life.

#### 2.3.29 Other Expenses

Other expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. Provisions in respect of other expenses are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### 2.3.30 Value Added Tax (VAT) on financial services, Nation Building Tax (NBT) and Debt Repayment Levy (DRL) on Financial Services

##### Value Added Tax (VAT) on financial services

VAT on Financial Services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provision related to terminal benefits. The VAT on FS rate applied up to 31st December 2021 is 15% and 18% from 01st January 2022. (2021 - 15%).

#### 2.3.31 Tax Expense

##### Income tax and other taxes

As per the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense / income is the aggregate amount included in determination of profits or loss for the year in respect of income tax and deferred tax. The tax expense/income is recorded in the Statement of Profit or Loss except to the extent it relates to items recognized directly in Equity or Statement of Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

Provision for the taxation is based on the profit for the year adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto and any adjustments to tax payable in respect to the previous years.

Note 09 represent the major components of income tax expense to the financial statements.

### OTHER ACCOUNTING POLICIES

#### 2.3.32 Earnings per Share (EPS)

The Company presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees as required by the Sri Lanka Accounting Standard No 33(LKAS 33)-“Earnings per Share”

Details of earnings per share are given in Note 10.

#### 2.3.33 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified four operating segments based on products and services, as follows:

- Auto Loan
- Property Loan
- Gold Loans
- Others

Management monitors the operating results of its business units 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 an overall basis and are not allocated to operating segments.

Details of segment reporting are given in Note 36.

#### 2.3.34 Cash Flow Statement

The cash flow statement has been prepared by using 'The Direct Method' in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized. 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, balances with banks, liquid investments.

#### 2.3.35 Events occurring after the reporting date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements

### 3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2022. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2022. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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### 3.1 SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard - SLFRS 9 “Financial Instruments” and Sri Lanka Accounting Standard - SLFRS 15 “Revenue from Contracts with Customers” on or before the date on which it first apply SLFRS 17.

No impact is expected to the company from this change.

### 3.2 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2022, the CA Sri Lanka adopted amendments to LKAS16 - Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company is currently assessing the potential impact on its Financial Statements resulting from this amendment.

### 3.3 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2022, the CA Sri Lanka adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Company is currently assessing the potential impact on its Financial Statements resulting from this amendment.

### 3.4 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2022, CA Sri Lanka adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. The Company is currently assessing the potential impact on its Financial Statements resulting from this amendment.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

<b>4 INCOME</b>	<b>Note</b>	<b>2022 Rs.</b>	<b>2021 Rs.</b>
Interest Income	4.1	1,522,320,560	1,521,219,935
Fee and Commission Income	4.3	54,009,140	36,679,324
Other Operating Income	5	71,924,599	50,407,584
		<b>1,648,254,299</b>	<b>1,608,306,843</b>
<b>4.1 Interest Income</b>		<b>2022 Rs.</b>	<b>2021 Rs.</b>
Reverse Repurchased Agreements		20,074,358	19,450,571
Balances with Banks		4,980,785	3,672,295
Loans and receivables to other customers		1,497,265,417	1,498,097,069
		<b>1,522,320,560</b>	<b>1,521,219,935</b>
<b>4.2 Interest Expense</b>		<b>2022 Rs.</b>	<b>2021 Rs.</b>
Due to banks		233,048,200	339,861,960
Due to customers		434,014,578	575,434,215
Interest Expenses to Lease Liabilities - SLFRS-16		11,913,783	13,599,391
		<b>678,976,561</b>	<b>928,895,566</b>
<b>Net interest income</b>		<b>843,343,999</b>	<b>592,324,369</b>
<b>4.3 Net Fee and Commission Income</b>		<b>2022 Rs.</b>	<b>2021 Rs.</b>
Fee and Commission Income		54,009,140	36,679,324
Fee and Commission Expenses		(32,127,799)	(11,763,350)
<b>Net fee and commission income</b>		<b>21,881,341</b>	<b>24,915,974</b>
<b>5 OTHER OPERATING INCOME</b>		<b>2022 Rs.</b>	<b>2021 Rs.</b>
Gain on Sale of Property, Plant and Equipment		3,252,379	847,986
Operating profit on Real Estate		23,138,412	11,740,394
Income on write off Recoveries		29,391,291	22,859,482
Others		16,142,517	14,959,722
		<b>71,924,599</b>	<b>50,407,584</b>
<b>6 IMPAIRMENT CHARGE FOR LOANS AND ADVANCES AND OTHER ASSETS</b>		<b>2022 Rs.</b>	<b>2021 Rs.</b>
Impairment on Balance Sheet Exposure		264,178,092	237,616,941
Impairment on off Balance Sheet Exposure		(119,744)	(24,551,550)
Impairment charge for Financial assets at amortised cost		264,058,348	213,065,391
Provision charge / (reversal) on real estate		-	-
		<b>264,058,348</b>	<b>213,065,391</b>
<b>6.1 Financial assets at amortised cost- loans and advances to customers</b>		<b>2022 Rs.</b>	<b>2021 Rs.</b>
Stage 1		94,189,599	29,186,065
Stage 2		8,043,890	(5,717,078)
Stage 3		161,824,859	189,596,404
Impairment (Off and on Balance Sheet)		<b>264,058,348</b>	<b>213,065,391</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 7. STAFF COSTS

	2022 Rs.	2021 Rs.
Salaries	171,164,380	141,986,681
Employee benefit - defined contribution plans (EPF/ETF)	22,410,089	20,840,516
Employee benefit - defined benefit plans	4,291,548	4,515,799
Staff related expenses	17,829,708	13,907,432
Others	999,767	666,385
	<b>216,695,492</b>	<b>181,916,813</b>

Provision for the defined benefit plans have been made based on the actuarial valuation carried out as at 31 March 2022. Please refer note 26 for detailed disclosure and assumptions on the Post Employment Liability.

#### 8. OTHER EXPENSES

	2022 Rs.	2021 Rs.
Directors' emoluments	3,538,000	2,928,000
Auditors' remuneration	2,400,000	1,850,000
Professional and legal expenses	4,682,510	5,160,465
Advertising & Marketing expenses	21,508,076	13,495,057
Office administration and establishment expenses	141,768,111	114,808,002
Others	8,182,566	7,913,161
	<b>182,079,262</b>	<b>146,154,684</b>

#### 9. TAXATION

The components of income tax expense for the years ended 31 March 2022 are;

	Note	2022 Rs.	2021 Rs.
Current Tax	9.1	-	-
ESC write-off charge			21,092,631
Deferred tax charge	20	80,308,867	61,654,762
		<b>80,308,867</b>	<b>82,747,393</b>

#### 9.1 RECONCILIATION OF CURRENT INCOME TAX EXPENSE

	2022 Rs.	2021 Rs.
In Rupees		
Profit Before Tax	161,429,494	41,621,705
Add: Disallowable Expenses	425,104,847	347,140,020
Less: Tax Deductible Expenses	(142,485,853)	(273,082,913)
Statutory Income	444,048,488	115,678,812
<b>Less : Deductions under Section 32</b>		
: Tax Losses claimed	(444,048,488)	(115,678,812)
Taxable Income/ Loss	-	-
<b>Tax expense for the period (@24%)</b>		
Tax Provision		-
ESC write-off charge		21,092,631
Deferred tax	20	80,308,867
		<b>80,308,867</b>
<b>Effective Tax Rate</b>	49.75%	198.81%
<b>Effective Tax Rate (Excluding Deferred tax)</b>	0.00%	0.00%

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 10. EARNINGS PER SHARE

**10.1** Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

**10.2** The following reflects the income and share details used in the computation of the Basic Earning per Share.

Earnings per Share: Basic		2022 Rs.	2021 Rs.
<b>Amount used as the numerator</b>			
Profit after tax for the year attributable to equity holders (Rs)		81,120,627	(41,125,688)
<b>No. of ordinary shares used as the denominator</b>			
Weighted average number of ordinary shares		10.2.1 1,208,531,425	711,479,461
Basic / diluted earnings per ordinary share (Rs)		<b>0.067</b>	<b>(0.058)</b>

#### 10.2.1 Weighted Average Number of Ordinary Shares for Basic EPS

	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Number of shares in issue as at 1st April	711,479,461	711,479,461	711,479,461	711,479,461
Add : Number of shares issued under rights issue	1,988,207,857	-	497,051,964	-
Add : Bonus element on number of shares issued under rights issue	-	-	-	-
<b>Number of shares in issue / weighted average number of shares as at 31st March</b>	<b>2,699,687,318</b>	<b>711,479,461</b>	<b>1,208,531,425</b>	<b>711,479,461</b>

**10.2.2** During the year under review the Company raised Rs. 1,988,207,857/- via a Rights issue of shares in the proportion of fifteen (15) new shares for every four (4) existing shares, at a price of Rs. 0.31 per share in order to meet the capital adequacy requirements of the CBSL.

During the year the company conferred voting rights to the non-voting shares to simplify the capital structure of the company, whereby the ordinary non-voting shares of the Company were conferred with one (1) vote for every share held.

Further the Company also carried out a consolidation of the shares whereby every 100 (Hundred) ordinary voting shares out of the ordinary voting shares of the Company were consolidated in to 31 (Thirty One) ordinary voting shares thus reducing the existing 8,708,673,863 (Eight Billion Seven Hundred and Eight Million Six Hundred and Seventy Three Thousand Eight Hundred and Sixty Three) ( Subsequent to the the rights issues and conferring of voting rights )ordinary voting shares of the Company to 2,699,687,318 (Two Billion Six Hundred and Ninety Nine Million Six Hundred and Eighty Seven Thousand Three Hundred and Eighteen) ordinary voting shares.

The opening no. of shares of 2,295,095,035 have been adjusted based on the consolidation basis. (i.e. every 100 shares have been consolidated to 31 shares).

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

#### 11. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial asset and liabilities are measured and how income and expenses including fair value gains and losses are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in the Sri Lanka Accounting Standards - SLFRS 9: Financial instruments under headings of the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 11. MEASUREMENT OF FINANCIAL INSTRUMENTS (Contd...)

As at 31 March 2022	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
<b>ASSETS</b>				
Cash in Hand and Balances with Banks	-	-	232,409,217	232,409,217
Reverse repurchased agreements	-	-	646,588,114	646,588,114
Financial investments at amortised cost-loans and advances to customers	-	-	8,632,676,626	8,632,676,626
Financial investments at fair value through other comprehensive income	-	21,733,514	-	21,733,514
Other Assets	-	-	4,693,407	4,693,407
<b>Total Financial Assets</b>	-	21,733,514	9,516,367,364	9,538,100,877
<b>LIABILITIES</b>				
	Fair value through P&L Rs.		Amortised cost Rs.	Total Rs.
Due to Banks	-	-	83,954,874	83,954,874
Due to other Customers	-	-	4,892,138,425	4,892,138,425
Other Borrowed Funds	-	-	1,937,874,490	1,937,874,490
Financial Liabilities	-	-	149,146,508	149,146,508
<b>Total Financial Liabilities</b>	-	-	7,063,114,297	7,063,114,297
<b>As at 31 March 2021</b>				
<b>ASSETS</b>	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
Cash in Hand and Balances with Banks	-	-	250,371,228	250,371,228
Reverse repurchased agreements	-	-	348,593,012	348,593,012
Financial investments at amortised cost-loans and advances to customers	-	-	6,901,226,151	6,901,226,151
Financial investments at fair value through other comprehensive income	-	15,626,221	-	15,626,221
Investments in Fixed Deposits	-	-	-	-
Other Assets	-	-	3,030,000	3,030,000
<b>Total Financial Assets</b>	-	15,626,221	7,503,220,391	7,518,846,613
<b>LIABILITIES</b>				
	Fair value through P&L Rs.		Amortised cost Rs.	Total Rs.
Due to Banks	-	-	65,852,420	65,852,420
Due to other Customers	-	-	4,440,689,054	4,440,689,054
Other Borrowed Funds	-	-	2,633,094,540	2,633,094,540
Other Financial Liabilities	-	-	105,531,603	105,531,603
<b>Total Financial Liabilities</b>	-	-	7,245,167,618	7,245,167,618

12. CASH IN HAND AND BALANCES WITH BANKS	2022 Rs.	2021 Rs.
Cash in hand	35,802,744	34,825,262
Cash at Banks	196,606,473	215,545,966
	<b>232,409,217</b>	<b>250,371,228</b>

13. REVERSE REPURCHASED AGREEMENTS	2022 Rs.	2021 Rs.
Due from Banks	646,588,114	348,593,012
	<b>646,588,114</b>	<b>348,593,012</b>

### 14. FINANCIAL ASSETS AT AMORTIZED COST - LOANS AND ADVANCES TO CUSTOMERS

	Notes	2022 Rs.	2021 Rs.
Gross loans and receivables	14.1	9,338,064,207	7,486,956,226
(Less): Individual impairment	14.3	(183,707,513)	(195,243,103)
Collective impairment	14.3	(521,680,068)	(390,486,972)
<b>Net loans and receivables</b>		<b>8,632,676,626</b>	<b>6,901,226,151</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 14. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

#### 14.1 Stage wise classification of gross loans and receivables

	2022 Rs.	2021 Rs.
Stage 1	6,301,434,562	4,348,437,549
Stage 2	1,070,735,316	1,098,538,214
Stage 3	1,965,894,330	2,039,980,463
	<b>9,338,064,207</b>	<b>7,486,956,226</b>

#### 14.1. Gross Loans and Receivables from Customers - By Product

	2022 Rs.	2021 Rs.
Leasing / Hire Purchase	3,739,855,454	3,547,973,732
Term loans	3,211,242,683	2,392,578,916
Easy Draft	1,345,950,072	766,276,360
Gold Loans	765,553,295	491,987,958
Factoring & Cheque Discounting	227,701,398	240,016,440
Housing Loans	47,761,305	48,122,820
	<b>9,338,064,207</b>	<b>7,486,956,226</b>

#### 14.1.1 Contractual maturities of Loans and Receivables from Customers

	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total
<b>As at 31st March 2022</b>				
Loans and Receivables	<u>4,573,102,084</u>	<u>4,567,368,919</u>	<u>197,593,204</u>	<b>9,338,064,207</b>
<b>As at 31st March 2021</b>				
Loans and Receivables	<u>4,099,856,083</u>	<u>3,271,960,023</u>	<u>115,140,120</u>	<b>7,486,956,226</b>

#### 14.2 Gross Loans and Receivables to other customers - By Industry

	2022 Rs.	2021 Rs.
Services including Bank, finance and Insurance	2,847,981,543	2,215,529,556
Other	1,860,645,781	1,978,196,946
Trading and Manufacturing	2,801,363,367	1,867,174,626
Construction and Transport	1,189,607,138	887,081,779
Agriculture	638,466,378	538,973,319
	<b>9,338,064,207</b>	<b>7,486,956,226</b>

#### 14.3 Movements in Individual and Collective Impairment Charges during the Year

	2022 Rs.	2021 Rs.
<b>Individual impairment charges</b>		
Balance as at 01 April	(195,243,103)	(278,460,208)
Charge to income statement	(132,984,995)	(87,391,140)
Impairment reversals on loan write off	144,520,585	170,608,245
<b>Balance as at 31 March</b>	<b>(183,707,513)</b>	<b>(195,243,103)</b>
<b>Collective impairment charges</b>		
Balance as at 01 April	(390,486,972)	(430,385,327)
(Charge)/Reversal to income statement	(131,193,097)	(150,225,801)
Impairment reversals on loan write off	-	190,124,156
<b>Balance as at 31 March</b>	<b>(521,680,068)</b>	<b>(390,486,972)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 March 2022

### 15. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	2022 Rs.	2021 Rs.
Equity securities			
Unquoted	15.1	21,733,514	15,626,221
		<b>21,733,514</b>	<b>15,626,221</b>

	2022			2021		
15.1 Unquoted Investments	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
Credit Information Bureau	9	900	900	9	900	900
Finance House Consortium (Pvt) Ltd	20,000	200,000	200,000	20,000	200,000	200,000
CEG Education Holdings	22,500	21,532,614	21,532,614	22,500	15,425,321	15,425,321
		<b>21,733,514</b>	<b>21,733,514</b>		<b>15,626,221</b>	<b>15,626,221</b>

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

### 16. INVESTMENTS IN REAL ESTATE

	2022 Rs.	2021 Rs.
<b>Land</b>		
Cost	36,632,907	47,899,934
Less : Provision	(3,300,410)	(3,300,410)
<b>Net Value</b>	<b>33,332,498</b>	<b>44,599,524</b>
<b>Housing Projects</b>		
Cost	4,875,190	4,875,190
Less : Provision	(2,899,969)	(2,899,969)
<b>Net Value</b>	<b>1,975,221</b>	<b>1,975,221</b>
<b>Other Projects</b>		
Cost	170,462,900	170,462,900
Less : Provision	(116,660,956)	(116,660,956)
<b>Net Value</b>	<b>53,801,944</b>	<b>53,801,944</b>
	<b>89,109,662</b>	<b>100,376,689</b>

### 17. OTHER ASSETS

	2022 Rs.	2021 Rs.
<b>Other Financial Assets</b>		
Other Financial Assets	4,693,407	3,030,000
<b>Other Non Financial Assets</b>		
Advances	3,565,611	1,658,142
Deposits and Prepayments	36,941,744	30,028,321
Other Tax Receivable	15,760,722	18,179,062
	<b>60,961,484</b>	<b>52,895,524</b>

### 18. INTANGIBLE ASSETS

	2022	2021
<b>Cost</b>		
Balance as at 01 April	31,657,681	29,120,381
Additions/ Transfers	487,400	2,537,300
Balance as at 31 March	<b>32,145,081</b>	<b>31,657,681</b>
<b>(Less): Amortisation of Intangible Assets</b>		
Balance as at 01 April	21,225,893	19,140,038
Amortisation for the year	2,295,963	2,085,856
Balance as at 31 March	23,521,857	21,225,894
<b>Net book value at 31 March</b>	<b>8,623,224</b>	<b>10,431,787</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 19. PROPERTY, PLANT AND EQUIPMENT

##### 19.1 Property, Plant and Equipment

2022	Land and Buildings Rs.	Leasehold Improvements Rs.	Computer & Equipments Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Sub Total Rs.	Right-of-Use Assets (Office Premises) Rs.	Total Rs.
<b>Cost or Valuation</b>								
Balance as at 01 April	111,742,500	56,354,966	47,641,459	89,162,395	76,825,622	381,726,942	93,083,436	474,810,378
Additions	-	492,275	5,159,260	3,762,418	7,617,775	17,031,728	-	17,031,728
Revaluation Surplus	-	-	-	-	-	-	-	-
Disposals	-	-	-	(3,477,044)	(19,500,000)	(22,977,044)	-	(22,977,044)
	<b>111,742,500</b>	<b>56,847,241</b>	<b>52,800,719</b>	<b>89,447,770</b>	<b>64,943,397</b>	<b>375,781,626</b>	<b>93,083,436</b>	<b>468,865,062</b>

##### Effects of adoption of SLRFS 16 as at 01st April

Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Adjustment / Transfers	-	-	-	-	-	-	-	-
Closing balance as at 31 March	-	-	-	-	-	-	-	-

##### (Less): Accumulated depreciation

Balance as at 01 April	2,665,884	38,877,254	38,311,973	53,762,005	33,101,202	166,718,318	32,295,199	199,013,517
Charge for the year	666,015	6,133,868	4,396,861	7,555,110	10,495,040	29,246,894	18,154,972	47,401,866
Disposals	-	-	-	(3,355,108)	(14,684,314)	(18,039,423)	-	(18,039,423)
<b>Balance as at 31 March</b>	<b>3,331,899</b>	<b>45,011,122</b>	<b>42,708,834</b>	<b>57,962,007</b>	<b>28,911,927</b>	<b>177,925,789</b>	<b>50,450,171</b>	<b>228,375,960</b>
<b>Net book value as at 31 March</b>	<b>108,410,601</b>	<b>11,836,118</b>	<b>10,091,884</b>	<b>31,485,763</b>	<b>36,031,470</b>	<b>197,855,837</b>	<b>42,633,265</b>	<b>240,489,102</b>

#### 2021

##### Cost or Valuation

	Land and Buildings Rs.	Leasehold Improvements Rs.	Computer & Equipments Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Sub Total Rs.	Right-of-Use Assets (Office Premises) Rs.	Total Rs.
Balance as at 01 April	111,742,500	55,073,287	44,165,391	83,103,102	87,085,563	381,169,843	73,255,575	454,425,418
Additions	-	1,281,679	3,476,067	6,075,958	5,000,000	15,833,705	19,827,861	35,661,566
Revaluation Surplus	-	-	-	-	-	-	-	-
Disposals	-	-	-	(16,665)	(15,259,941)	(15,276,606)	-	(15,276,606)
<b>Balance as at 31 March</b>	<b>111,742,500</b>	<b>56,354,966</b>	<b>47,641,459</b>	<b>89,162,395</b>	<b>76,825,622</b>	<b>381,726,942</b>	<b>93,083,436</b>	<b>474,810,378</b>

##### Effects of adoption of SLRFS 16 as at 01st April

Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Adjustment / Transfers	-	-	-	-	-	-	-	-
Closing balance as at 31 March	-	-	-	-	-	-	-	-

##### (Less): Accumulated depreciation

Balance as at 01 April	1,999,869	32,841,715	34,360,680	46,220,583	25,115,744	140,538,591	15,556,670	156,095,261
Charge for the year	666,015	6,035,539	3,951,293	7,549,666	11,991,806	30,194,319	16,738,529	46,932,848
Disposals	-	-	-	(8,244)	(4,006,348)	(4,014,592)	-	(4,014,592)
<b>Balance as at 31 March</b>	<b>2,665,884</b>	<b>38,877,254</b>	<b>38,311,973</b>	<b>53,762,005</b>	<b>33,101,202</b>	<b>166,718,318</b>	<b>32,295,199</b>	<b>199,013,517</b>
<b>Net book value as at 31 March</b>	<b>109,076,616</b>	<b>17,477,711</b>	<b>9,329,485</b>	<b>35,400,390</b>	<b>43,724,421</b>	<b>215,008,625</b>	<b>60,788,237</b>	<b>275,796,861</b>

#### 19.2 Net Book Values

##### At Cost

	2022 Rs.	2021 Rs.
Land and Buildings	108,410,601	109,076,616
Leasehold Assets	11,836,118	17,477,711
Motor Vehicles	36,031,470	43,724,421
Computer & Equipments	10,091,884	9,329,485
Furniture & Fittings	31,485,763	35,400,390
Right-of-Use Assets (Office Premises)	42,633,265	60,788,237
	<b>240,489,102</b>	<b>275,796,861</b>

19.3 During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 17,031,728/-

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 March 2022

### 19. PROPERTY, PLANT AND EQUIPMENT (Contd...)

#### 19.4 Fair Valuation Process and Key Valuation Assumptions

The Company measures land and buildings at revalued amounts with gains in fair value being recognised in equity (Revaluation Reserve) and losses in the Statement of Income Statement. The Company usually engages an external independent and qualified valuer once in three year basis to determine the fair values. When significant changes in fair values are expected in between, a valuation is adopted in more regular basis, based on the judgment of the Board, appropriately advised by the valuer.

The latest revaluation has been carried out by Mr. D.Jayawardena a chartered independent valuer as at 31st March 2020. The valuation of the building has been determined using the investment approach which falls under level 3 of the fair value measurement hierarchy. The carrying value of such revalued building as at 31 March 2020 approximate the fair values determined by Mr. D.Jayawardena as at 31 March 2020.

Key significant unobservable valuation inputs are as follows :

Bokundara Property	Rs. 400,000 - Rs. 450,000 per perch			
Negombo Property	Average rate Rs. 80/- as monthly income - Estimated monthly income Rs. 400,000/-	40% Out goings from Gross annual income	5% for contingencies	20 Mn as Insurance value of the building

**19.5** If the land & Building had not been revalued and had been carried at cost model the carrying amount would be Rs. 48,247,674/- as at 31 March 2022 (Rs. 48,492,960/- as at 31 March 2021).

**19.6** There were no significant temporarily idling assets as at 31 March 2022.

**19.7** Company continues to use Property Plant and Equipment which are fully depreciated amounting to Rs. 73,312,645/- as at 31 March 2022.

**19.8** There were no restrictions on the title of the property, plant and equipment as at the reporting date.

**19.9** There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

**19.10** There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

### 20. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings;

	<b>Statement of Financial Position</b>	
	<b>2022</b>	<b>2021</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Deferred Tax Assets</b>		
Carried forward retained loss	122,291,887	253,035,248
Right of use assets	4,452,992	6,212,362
Defined Benefit Plans	5,603,183	4,884,508
Impairment allowance	75,572,262	32,635,757
	<b>207,920,324</b>	<b>296,767,875</b>
<b>Deferred Tax Liability</b>		
Depreciation of Property Plant and Equipment	(11,906,730)	(14,010,163)
Capital Allowance on Lease Assets	(26,241,943)	(32,942,609)
Fair value reserve	(5,167,827)	(3,702,077)
Revaluation reserve	(14,432,075)	(14,432,075)
	<b>(57,748,576)</b>	<b>(65,086,924)</b>
<b>Net Deferred Tax Asset</b>	<b>150,171,748</b>	<b>231,680,951</b>
<b>Deferred Tax Assets/ (Liabilities) Movement</b>		
Balance as at beginning of the year	231,680,951	296,981,818
Transitional adjustment on the implementation of SLFRS 16	-	-
Deferred tax (charged)/reversed to the Statement of Profit or Loss	(80,308,867)	(61,654,762)
Deferred Tax charged to the other comprehensive income	(1,200,336)	(3,646,105)
<b>Balance as at the year end</b>	<b>150,171,748</b>	<b>231,680,951</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
<b>21. DUE TO BANKS</b>			
Bank Overdraft		83,954,874	65,852,420
		<b>83,954,874</b>	<b>65,852,420</b>

		2022 Rs.	2021 Rs.
<b>22 DUE TO OTHER CUSTOMERS</b>			
At amortised cost	22.1	4,892,138,425	4,440,689,054
		<b>4,892,138,425</b>	<b>4,440,689,054</b>

		2022 Rs.	2021 Rs.
<b>22.1 Due to Other Customers - By Products</b>			
Savings deposits		30,269,312	5,117,411
Fixed deposits		4,861,869,113	4,435,571,643
		<b>4,892,138,425</b>	<b>4,440,689,054</b>

		2022 Rs.	2021 Rs.
<b>23. OTHER BORROWED FUNDS</b>			
Borrowings from Financial Institutions & Banks		1,937,874,491	2,332,962,787
Corporate Debenture		-	300,131,753
		<b>1,937,874,490</b>	<b>2,633,094,540</b>

	2022			2021		
	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.
<b>23.1 Maturity</b>						
Due to Bank						
Securitized Borrowings and Other Bank Facilities	1,759,832,635	178,041,855	1,937,874,490	2,121,594,500	511,500,040	2,633,094,540
	<b>1,759,832,635</b>	<b>178,041,855</b>	<b>1,937,874,490</b>	<b>2,121,594,500</b>	<b>511,500,040</b>	<b>2,633,094,540</b>

	As at 01.04.2021 Rs.	Loans Obtained Rs.	Interest Recognised Rs.	Repayment Capital Rs.	Interest Rs.	As at 31.03.2022 Rs.
<b>23.2 Movement</b>						
Securitized Borrowings and Other Bank Facilities						
Direct Borrowings	2,633,094,540	2,844,734,544	199,159,168	3,477,895,996	261,217,765	1,937,874,490

	Note	2022 Rs.	2021 Rs.
<b>24. FINANCIAL LIABILITIES</b>			
Vendor Payables		37,144,750	22,019,000
Fees Payable		2,021,173	1,510,833
Sundry Creditors		63,652,455	47,485,986
Other Financial Liabilities		46,328,131	34,515,784
		<b>149,146,508</b>	<b>105,531,603</b>

		2022 Rs.	2021 Rs.
<b>25. NON FINANCIAL LIABILITIES</b>			
Provisions & Accrued Expenses		35,973,375	31,456,350
Other Payables		52,539,344	29,229,601
Lease Liability - Rent	25.1	71,186,417	94,783,121
Impairment on off Balance Sheet Exposure		25,294,601	25,414,346
		<b>184,993,738</b>	<b>180,883,418</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 25.1 Maturity Analysis of Lease Liability

Lease Liability within one year	26,200,529	23,599,270
Lease Liability within one to five year	44,985,889	69,670,214
Lease Liability more than five year	-	1,553,637
	<b>71,186,417</b>	<b>94,783,121</b>

#### 26 POST EMPLOYMENT LIABILITY

##### 26.1 The movement of the Post Employment Liability of the Company is given below;

	Note	2022 Rs.	2021 Rs.
Post Employment Liability as at 01 April		20,352,117	18,920,387
Amount recognised in Income Statement	26.2	4,291,548	4,515,799
Amount recognised in Other Comprehensive Income	26.3	1,105,894	233,218
Payments made during the year		(2,402,963)	(3,317,287)
<b>Post Employment Liability as at 31 March</b>		<b>23,346,596</b>	<b>20,352,117</b>

##### 26.2 Amount recognised in Income Statement

	2022 Rs.	2021 Rs.
Service cost	3,110,555	2,888,646
Net interest on the net Post Employment Liability	1,180,423	1,627,153
Past Service cost	570	-
	<b>4,291,548</b>	<b>4,515,799</b>

##### 26.3 Amount recognised in Other Comprehensive Income

	2022 Rs.	2021 Rs.
Actuarial (gains)/ loss resulting from changes in assumptions	444,565	(81,525)
Actuarial (gains)/ loss resulting from experience adjustments	661,329	314,743
	<b>1,105,894</b>	<b>233,218</b>

##### 26.4 The principal assumptions used in determining Post Employment Liability are shown below;

Discount rate	12.50%	5.8%
Salary increment rate	11.5%	5.0%
Retirement age	60 Years	55 Years
Mortality	Mortality Table	Mortality Table

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Worker Act No. 28 of 2021.

##### 26.5 Messers Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries has carried out an independent actuarial valuation of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of the retirement benefits.

##### 26.6 The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

		2022			
		+1%	-1%	+1%	-1%
Increase/(Decrease) in discount rate- %					
Increase/(Decrease) in salary increment rate - %					
Sensitivity effect on Statement of Other Comprehensive Income	309,208	(319,966)	(421,268)	413,847	
Sensitivity effect on Post Employment Liability	(309,208)	319,966	421,268	(413,847)	

##### 26.7 The Expected Benefit payout in the future years of retirement gratuity.

	2022 Rs.	2021 Rs.
Within Next 12 Months	11,840,984	7,813,677
Between 1 and 5 years	15,070,340	11,973,966
Beyond 5 years	1,352,155	1,985,906

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 27 STATED CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

##### Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

	2022 Rs.	2021 Rs.
Issued and fully paid ordinary share capital	1,028,272,810	1,028,272,810
Additions during the year	1,988,209,437	-
Capital Reduction	-	-
	<b>3,016,482,247</b>	<b>1,028,272,810</b>
Number of ordinary shares issued	2,699,687,318	2,295,095,035

#### 28 STATUTORY RESERVE FUND

- 28.1 Five percent of the profits after tax is transferred to the Reserve Fund as required by the Section 3b (i) of the Central Bank Direction No 01 of 2003.

	2022 Rs.	2021 Rs.
Balance as at 1 April	67,931,719	67,931,719
Transfer during the year	4,056,031	-
<b>Balance as at 31 March</b>	<b>71,987,751</b>	<b>67,931,719</b>

#### 29 ACCUMULATED LOSS

	2022 Rs.	2021 Rs.
Balance as at 1 April	(418,780,067)	(377,477,133)
Profit for the year	81,120,627	(41,125,688)
Other Comprehensive Income for the year	(840,479)	(177,245)
Transfer to Statutory Reserve Fund	(4,056,031)	-
<b>Balance as at 31 March</b>	<b>(342,555,950)</b>	<b>(418,780,067)</b>

#### 30 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company incurs certain contingent liabilities. This consists mainly of undrawn commitments to lend.

Though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Company.

##### 30.1 Capital commitments

	2022 Rs.	2021 Rs.
Undrawn loan commitments	160,365,000	138,064,242
	<b>160,365,000</b>	<b>138,064,242</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 March 2022

### 30 COMMITMENTS AND CONTINGENCIES (Contd...)

#### 30.2 Litigation

Litigation is a common occurrence in the Company industry due to the nature of the business undertaken. The Company has an established legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Company makes adjustments to account for any adverse effect which the claims may have on its financial standing. Set out below are unresolved legal claims against the Company as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

##### **Litigations against UB Finance Company Limited**

- a DSP 266/10 (DC Co.), DSP 0266/12 (DC Co.), HC/Civil/177/10, SC/CHC/APPEAL/54/2019, DSP 63/10 (DC Co.), WP/HCCA/72/15/F, 2121/P DC, HCCA/KAL/137/13/F (Appeal case), DLM 148/2017, WP/HCCA/CO/101/19 (F), DMR 925/14, WP/HCCA/COL/52/19/LA, DMR 1615/17, DMR/003020/15 (DC), L/533/15 (DC), 1547/L (DC), 1558/20/L (DC), SPL 3579/17 (DC), 8164/L (DC), Special Case - (Ratnapura Mix Development Project (Palm Garden Office Complex) Joint Venture Property with PDL & RECL), DMR /1801/12 DC Co, WP/HCCA/COL/97/2014/LA (Appeal), DLM /174/12 (DC Co), WP/HCCA/COL/121/18 (Appeal), 82353- (MC - Kesbewa), RE 44 (DC - Kesbewa)

##### **Loan/ Lease based cases (in relation to immovable assets).**

- b DMR 830/20, DSP 122/2020, DSP/301/2019 (DC Co.), DSP/412/21 (DC Co.), 21096/MR (DC), 38494 SPL (DC - Homagama), DSP 01/2022, 1866-M (DC Elpitiya)

##### **Loan/Lease based cases ( In relation to movable assets) .**

- c DTS 279/08, WP/HCCA/COL/LA.77/18(Leave to Appeal), SC/HCCA/LA/NO139/2020, SC/FR/317/9 (Supreme Court)

##### **FD related cases.**

- d B 4004/14, B 4005/14, CHC 533/15 MR, CHC 534/15 MR, CHC 535/15 MR, CHC 536/15 MR, CHC 503/15 MR

##### **Share - ownership related cases.**

- e LT/08/641/2012, HCCA/LT/64/19(Appeal case), LB/76305 MC, CA (writ) 315/2011 (Appeal case), SC/App/26/2014, CE/D6/04/61/2016, CLE/COM/D/02/450/2020/16, CLE/COM/67/2022/16

##### **Labour Tribunal Cases**

#### 30.3 Contingent Liabilities

The Company has received a judgement against the Company and the Company has filled leave to appeal applications at the Civil appellate. The Company legal counsellors are of the view that there will be no additional liability on same.

#### 30.4 Capital Commitments

The Company has no commitments for acquisition of Property Plant & Equipments incidence to the ordinary course of Business.



## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

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#### 31 FAIR VALUE OF ASSETS AND LIABILITIES

##### 31.1 Assets and Liabilities recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

##### **Financial instruments at fair value through other comprehensive income**

Financial investments at fair value through other comprehensive income, which primarily consist of quoted and unquoted equities, and investment in units and Government debt securities.

Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka. Investment in units and quoted equities are valued using market prices in the active markets at the reporting date.

During the current year there was only unquoted equity in this category.

##### 31.2 Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 – quoted market price (unadjusted): financial instruments with quoted prices in active markets.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

##### 31.3 Valuation Framework

##### **Cash and Cash Equivalents**

Included in Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as Cash and cash equivalents. Time deposits, certificates of deposit, and money market accounts that meet the above criteria are reported at par value on our statement of financial position.

##### **Finance Receivables (Loans, Lease Rentals Receivable & Stock out on Hire)**

We measure performing finance receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest).

##### **Other Financial Assets**

Since all the balances which are under other financial assets have short term maturities, it is assumed that the carrying amounts of those balances approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 31 FAIR VALUE OF ASSETS AND LIABILITIES ( Contd... )

##### Assets and liabilities measured at fair value - fair value hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the statement of financial position in the financial statements.

	2022			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets measured at fair value				
Financial Investments at fair value through other comprehensive income				
Equity Securities	-	-	21,733,514	21,733,514
Non Financial Assets				
Land and buildings	-	-	108,410,601	108,410,601
			130,144,114	130,144,114

The methods used to determine fair value of the financial instruments categorised under level 3 are stated in Note 15.1

The methods used to determine fair value of Non financial assets - land and buildings categorized under level 3 are stated in Note 19.4

	2021			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets measured at fair value				
<i>Financial Investments - at fair value through other comprehensive income</i>				
Equity Securities	-	-	15,626,221	15,626,221
<i>Non Financial Assets</i>				
Land and buildings	-	-	109,076,616	109,076,616
	-	-	124,702,837	124,702,837

#### 31.5 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies & assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

##### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts which do not have a specific maturity.

##### Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

Set out below is a comparison of the carrying amounts & fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets & non-financial liabilities.

### 31.5 Fair value of financial assets and liabilities not carried at fair value ( Contd... )

The Following is a list of financial investments whose carrying amount is a reasonable approximation of fair value. Because for example, they are short-term in nature or reprice to current market rates frequently:

## 32 RISK MANAGEMENT

Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the companies continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating risks.

The IRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. IRMC is also responsible for managing risks and monitoring risk levels and reports on monthly/quarterly basis to the Board.

Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

Asset Liability Committee (ALCO) are responsible for managing the company's assets and liabilities and the overall financial structure.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

The outbreak of COVID 19 since March 2020 has caused disruptions to business and economic activities, and uncertainty to the global and local economy. The subsequent adverse economic effects have caused financial stress among our customers which may lead to elevated levels of credit risk in the short term. The Company's Risk Management Framework strives to manage the outcomes of such adverse economic and market conditions proactively, whilst achieving the risk-return objectives of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 March 2022

### 32. RISK MANAGEMENT (Contd...)

#### 32.3 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept, with additional emphasis on selected industries. In addition, the company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Integrated Risk Committee. These reports include aggregate credit exposures, credit concentration, operational risk, market risk and liquidity ratios. Management assess the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all necessary information to assess and conclude on the risks of the Company.

Risk related policies are documented and made available to all staff at all levels for a comprehensive understanding of the Company's risk appetite and the overall risk management of the Company. Workshops are held to share knowledge of potential risk events and keep the staff abreast with the latest changes. Briefings are also given to other relevant members of the company on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

#### 32.4 Risk Mitigation

As part of its overall risk management, the company uses various instruments to manage exposures resulting from credit risks, changes in interest rates, equity risks, and exposures arising from transactions.

The company actively uses collateral to reduce its credit risks.

#### 32.5 Excessive risk concentration

In order to avoid excessive concentrations of risk, the company monitors concentration levels to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

#### 32.6 Credit Risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Company uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the company to assess the

potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardized credit appraisal and approval process is in place. Credit Authority lies with the Board of Directors, Board Credit Committee and members of the management as per the assigned limits on delegated credit authority. Company's systems for credit evaluation and decision making are independent from collateralization albeit collateral helps to mitigate credit risk.

Credit Operation Department reviews credit facilities before and after sanctioning of facilities. A separate Loan Review Policy approved by the Board of Directors is in place.

In the post sanctioning review of credit facilities, the Board Credit Committee reviews among other things, the disbursements, perfection of collaterals and repayments are in accordance with the terms of approval.

#### 32.7 Impairment Assessment

The methodology of the impairment assessment is explained in the note 2.2.5 under summary of significant accounting policies

In view of the current economic status of the country due to the spread of Covid-19 virus, following adjustments were made in respect to the impairment provision during the year ended 31 March 2022.

- EFA was adjusted by considering negative impact from future economy.
- An additional impairment was made in respect of the facilities for which a second moratorium was granted.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 32. RISK MANAGEMENT (Contd...)

##### 32.8 Credit Quality by Class of Financial Assets

The company manages the credit quality of financial assets by categorising its credit exposure by class of financial asset, line of business and geographic region. It is the company's policy to maintain accurate and consistent risk profile across the credit portfolio. The table below shows the credit quality for all financial assets exposed to credit risk, based on the company's internal credit rating system.

As at 31 March 2022	Neither Past Due Nor Impaired Rs.	Past Due but Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	232,409,217	-	-	232,409,217
Reverse repurchased agreements	646,588,114	-	-	646,588,114
Financial Assets at amortized cost - Loans and Advances to Customers	5,223,021,585	3,312,225,002	802,817,621	9,338,064,208
Financial assets measured at fair value through Other Comprehensive Income	21,733,514	-	-	21,733,514
Other Financial Assets	4,693,407	-	-	4,693,407
<b>Total Financial Assets</b>	<b>6,128,445,835</b>	<b>3,312,225,002</b>	<b>802,817,621</b>	<b>10,243,488,459</b>

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Impaired *				Total
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	
Loans and receivables from customers	2,174,078,970	415,432,715	62,980,946	659,732,371	3,312,225,002

\* Past due but not Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

As at 31 March 2021	Neither Past Due Nor Impaired Rs.	Past Due but Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	250,371,228	-	-	250,371,228
Reverse repurchased agreements	348,593,012	-	-	348,593,012
Financial Assets at amortized cost - Loans and Receivables to other Customers	3,383,417,839	3,369,617,711	733,920,676	7,486,956,226
Financial assets measured at fair value through Other Comprehensive Income	15,626,221	-	-	15,626,221
Other Financial Assets	3,030,000	-	-	3,030,000
<b>Total Financial Assets</b>	<b>4,001,038,300</b>	<b>3,369,617,711</b>	<b>733,920,676</b>	<b>8,104,576,688</b>

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

	Past Due But Not Impaired *				Total
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,116,311,472	420,578,063	218,717,491	614,010,685	3,369,617,711

\* Past due but not Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 32.9 Analysis of Credit Risk Exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, securities, letters of guarantees, real estate, receivables, inventories, other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral and the net exposure to credit risk.

As at 31 March	2022		2021	
	Maximum Exposure to Credit Risk Rs.	Net Exposure Credit Risk Rs.	Maximum Exposure to Credit Risk Rs.	Net Exposure Credit Risk Rs.
Cash in Hand and Balances with Banks	232,409,217	232,409,217	250,371,228	250,371,228
Reverse repurchased agreements	646,588,114	646,588,114	348,593,012	348,593,012
Financial Assets at amortized cost - Loans and Advances to Customers	9,338,064,207	326,663,574	7,486,956,226	519,862,631
Financial assets measured at fair value through Other Comprehensive Income	21,733,514	21,733,514	15,626,221	15,626,221
Other Financial Assets	4,693,407	4,693,407	3,030,000	3,030,000
<b>Total Financial Assets</b>	<b>10,243,488,458</b>	<b>1,232,087,824</b>	<b>8,104,576,686</b>	<b>1,137,483,091</b>

The Company holds certain assets as collateral which it is permitted to sell or repledge in the event of default by the owner of the collateral, under the usual terms and conditions applying to such agreements which are fair valued based on the valuations obtained.

#### 32.10 Credit-related commitment risks

Such commitment risks are mitigated by regular review of unfunded limits and exposures similar to review of funded limits and exposures.

#### 32.11 Collateral and other credit enhancements:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables etc
- For retail lending, mortgages over residential properties, absolute ownership of vehicles etc
- Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.
- It is the company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the company does not occupy repossessed properties for business use.
- The company also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken.

Although on the balance sheet netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realized
- The documentation are legally enforceable

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 32. RISK MANAGEMENT (Contd...)

##### 32.12 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the statement of financial position.

#### As at 31 March 2022

##### Financial Assets

Cash in hand and balances with Banks	Agriculture Rs.	Construction & Transport Rs.	Trading & Manufacturing Rs.	Services Including Financial Services Rs.	Other Rs.	Total Rs.
Reverse repurchased agreements	-	-	-	232,409,217	-	232,409,217
Financial Assets at amortized cost - Loans and Advances to Customers	-	-	-	646,588,114	-	646,588,114
Financial assets measured at fair value through Other Comprehensive Income	596,602,023	1,091,549,854	2,468,691,197	2,700,177,606	1,775,655,946	8,632,676,626
Other Financial Assets	-	-	-	21,733,514	-	21,733,514
<b>Total Financial Assets</b>	<b>596,602,023</b>	<b>1,091,549,854</b>	<b>2,468,691,197</b>	<b>3,600,908,451</b>	<b>1,780,349,353</b>	<b>9,538,100,878</b>

#### As at 31 March 2021

##### Financial Assets

Cash in hand and balances with Banks	Agriculture Rs.	Construction & Transport Rs.	Trading & Manufacturing Rs.	Services Including Financial Services Rs.	Other Rs.	Total Rs.
Reverse repurchased agreements	-	-	-	250,371,228	-	250,371,228
Financial Assets at amortized cost - Loans and Advances to Customers	-	-	-	348,593,012	-	348,593,012
Financial assets measured at fair value through Other Comprehensive Income	500,139,743	824,942,878	1,597,424,379	2,106,502,395	1,872,216,758	6,901,226,153
Other Financial Assets	-	-	-	15,626,221	-	15,626,221
<b>Total Financial Assets</b>	<b>500,139,743</b>	<b>824,942,878</b>	<b>1,597,424,379</b>	<b>2,721,092,857</b>	<b>1,875,246,758</b>	<b>7,518,846,614</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 32. RISK MANAGEMENT (Contd...)

##### 32.13 Liquidity risk and funding management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through a Management Committee. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in

the event of an unforeseen interruption of cash flow. The company also has lines of credit that it can access to meet liquidity needs. In addition, the company maintains Treasury bill investments with the Central Bank of Sri Lanka greater than 10% of customer deposits. Net liquid assets consist of cash, short-term company deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month. The ratios during the year were, as follows;

Management of the Company has maintained a stable liquidity position even during this challenging period due to the current crisis situation and closely monitoring the position on a daily basis and taking necessary measures to safeguard the entity. The company introduced more rigour to the processes already in place to manage its liquid assets including cost saving measures. These actions taken will help to maintain suitable liquidity position while ensuring the interest of company's stakeholders despite of disruptive effect on liquidity that may arise due to the continuously evolving nature of the economic crisis.

##### Liquid Asset Ratios

	2022	2021
Year End	17%	13%
Maximum	20%	13%
Minimum	10%	10%
Average	15%	11%

##### Advances to Deposit Ratios

The company stresses the importance of fixed deposits and savings accounts as sources of funds to finance lending to customers.

	2022	2021
Year End	1.9	1.7
Maximum	2.0	1.7
Minimum	1.6	1.4
Average	1.8	1.6

The Company has not considered the moratorium impact in the analysis of assets and liabilities by remaining contractual maturities given below and the interest risk exposure given in 32.14.1 and current and non-current analysis of assets and liabilities given in note no.32.14.3

##### Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the company's financial assets and liabilities as at 31 March 2022. Contractual maturities of undiscounted cash flows of financial assets and liabilities are shown in the table below;

2022	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
<b>Assets</b>					
Cash in hand and balances with Banks	232,409,217	-	-	-	232,409,217
Reverse repurchased agreements	646,588,114	-	-	-	646,588,114
Financial Assets at amortized cost -					
Loans and Advances to Customers	2,773,564,384	2,834,940,332	5,932,821,733	246,307,903	11,787,634,352
Financial assets measured at fair value through					
Other Comprehensive Income	-	-	-	21,733,514	21,733,514
Other Financial Assets	487,805	2,230,683	1,408,097	566,821	4,693,407
	<b>3,653,049,520</b>	<b>2,837,171,015</b>	<b>5,934,229,831</b>	<b>268,608,238</b>	<b>12,693,058,603</b>
<b>Liabilities</b>					
Due to banks	83,954,874	-	-	-	83,954,874
Due to other customers	1,628,198,363	2,396,679,781	1,281,267,660	-	5,306,145,802
Other Borrowed funds	806,611,461	678,055,414	509,533,402	-	1,994,200,278
Financial Liabilities	68,922,208	80,224,300	-	-	149,146,508
	<b>2,587,686,906</b>	<b>3,154,959,496</b>	<b>1,790,801,061</b>	<b>-</b>	<b>7,533,447,463</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 32. RISK MANAGEMENT (Contd...)

##### 32.13 Liquidity risk and funding management (Contd..)

2021	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
<b>Assets</b>					
Cash in Hand and Balances with Banks	250,371,228	-	-	-	250,371,228
Reverse repurchased agreements	348,593,012	-	-	-	348,593,012
Financial Assets at amortized cost -					
Loans and Receivables to other Customers	2,425,153,432	2,476,573,524	4,338,790,400	196,133,352	9,436,650,708
Financial assets measured at fair value	-	-	-	15,626,221	15,626,221
Investment in Fixed Deposit	-	-	-	-	-
Other Financial Assets	500,000	200,000	2,105,000	225,000	3,030,000
	<b>3,024,617,673</b>	<b>2,476,773,524</b>	<b>4,340,895,400</b>	<b>211,984,573</b>	<b>10,054,271,170</b>
<b>Liabilities</b>					
Due to Banks	65,852,420	-	-	-	65,852,420
Due to other Customers	900,417,581	2,096,243,691	1,978,590,531	-	4,975,251,802
Other Borrowed Funds	1,048,437,990	1,193,077,158	595,402,162	-	2,836,917,310
Financial Liabilities	74,085,151	31,446,452	-	-	105,531,603
	<b>2,088,793,142</b>	<b>3,320,767,300</b>	<b>2,573,992,693</b>	<b>-</b>	<b>7,983,553,135</b>

##### 32.14 Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As such interest rate risk is a key risk exposure of the company due to unanticipated movements in the future interest rates which arises from the core business activities, granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk is mitigated principally through minimizing the interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the company conducts periodic reviews and re-prices its assets particularly by the means of following.

- Effective policies and procedures designed to control the nature and amount of IRR, including clearly defined IRR limits and lines of responsibility and authority.
- Appropriate risk-measurement, monitoring, and reporting systems.
- Systematic internal controls that include the internal or external review and audit of key elements of the risk-management process.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 32 RISK MANAGEMENT (Contd...)

#### 32.14 Interest Rate Risk (Contd...)

##### 32.14.1 Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2022	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total
<b>Financial Assets</b>						
Cash and Bank Balances	-	-	-	-	-	232,409,217
Reverse Repurchased Agreements	646,588,114	-	-	-	-	646,588,114
Financial Assets at amortized cost - Loans and Advances to Customers	2,173,794,911	2,062,128,958	4,255,587,235	141,165,522	-	8,632,676,627
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	21,733,514	21,733,514
Financial Assets	2,820,383,025	2,062,128,958	4,255,587,235	141,165,522	258,836,138	9,538,100,878
<b>Financial Liabilities</b>						
Due to Banks	83,954,874	-	-	-	-	83,954,874
Due to Customers	1,466,465,713	2,212,081,049	936,020,187	-	277,571,746	4,892,138,425
Other Borrowed funds	1,155,538,729	537,458,145	178,041,855	-	66,835,761	1,937,874,490
Financial Liabilities	2,705,959,317	2,749,539,194	1,114,062,042	-	149,146,508	7,063,114,297
<b>INTEREST SENSITIVITY GAP</b>	<b>114,423,709</b>	<b>(687,410,236)</b>	<b>3,141,525,193</b>	<b>141,165,522</b>	<b>(234,717,608)</b>	<b>2,474,986,581</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 32 RISK MANAGEMENT (Contd...)

#### 32.14 Interest Rate Risk (Contd...)

##### 32.14.1 Interest Rate Risk Exposure on Financial Assets and Liabilities (Contd...)

As at 31 March 2021	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total
<b>Financial Assets</b>						
Cash and Bank Balances	-	-	-	-	250,371,228	250,371,228
Reverse Repurchased Agreements	348,593,012	-	-	-	-	348,593,012
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,810,639,133	1,408,521,676	2,641,483,130	40,582,213	-	6,901,226,152
Financial assets measured at fair value through other Comprehensive Income	-	-	-	-	15,626,221	15,626,221
Investment in Fixed Deposit	-	-	-	-	-	-
Financial Assets	3,159,232,146	1,408,521,676	2,641,483,130	40,582,213	269,027,449	7,518,846,614
<b>Financial Liabilities</b>						
Due to Banks	65,852,420	-	-	-	-	65,852,420
Due to Customers	739,853,127	1,817,558,061	1,592,927,434	-	290,350,431	4,440,689,054
Other Borrowed funds	871,580,296	1,121,119,846	511,500,040	-	128,894,359	2,633,094,541
Financial Liabilities	-	-	-	-	105,531,603	105,531,603
	1,677,285,844	2,938,677,907	2,104,427,474	-	524,776,394	7,245,167,619
<b>INTEREST SENSITIVITY GAP</b>	1,481,946,302	(1,530,156,231)	537,055,656	40,582,213	(255,748,946)	273,678,995

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

## 32 RISK MANAGEMENT (Contd...)

### 32.14 Interest Rate Risk (Contd...)

#### 32.14.2 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's Net Interest Income.

#### Net Interest Income (NII) Sensitivity by Interest Rate Change

	2022		2021	
Parallel Increase/Decrease of Rate	(+/-) 1%	(+/-) 2%	(+/-) 1%	(+/-) 2%
Annual Impact on NII (Rs.)	(+/-) (22,585,912)	(+/-) (45,171,829)	(+/-) (22,927,188)	(+/-) (45,854,376)

#### 32.14.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

As at 31 March 2022	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
<b>Assets</b>					
Cash in hand and balances with Banks	232,409,217	-	-	-	232,409,217
Reverse repurchased agreements	646,588,114	-	-	-	646,588,114
Financial Assets at amortized cost - Loans and Advances to Customers	2,173,794,911	2,062,128,958	4,255,587,235	141,165,522	8,632,676,627
Financial assets measured at fair value through Other Comprehensive Income	-	21,733,514	-	-	21,733,514
Investment in Real Estate	-	27,500,000	61,609,662	-	89,109,662
Intangible assets	-	-	-	8,623,224	8,623,224
Property, plant and equipment	-	-	-	240,489,102	240,489,102
Deferred tax assets	-	-	150,171,748	-	150,171,748
Other Assets	21,248,861	33,974,771	5,171,030	566,821	60,961,482
	<b>3,074,041,103</b>	<b>2,145,337,242</b>	<b>4,472,539,675</b>	<b>390,844,670</b>	<b>10,082,762,690</b>
<b>Liabilities</b>					
Due to banks	83,954,874	-	-	-	83,954,874
Due to other customers	1,561,626,834	2,246,091,723	1,084,419,868	-	4,892,138,425
Other Borrowed funds	1,222,374,490	537,458,145	178,041,855	-	1,937,874,490
Current Tax Liabilities	-	-	-	-	-
Financial Liabilities	68,922,208	80,224,300	-	-	149,146,508
Other Non Financial Liabilities	69,902,469	70,105,380	44,985,889	-	184,993,737
Post Employment Liability	-	-	-	23,346,596	23,346,596
	<b>3,006,780,873</b>	<b>2,933,879,548</b>	<b>1,307,447,612</b>	<b>23,346,596</b>	<b>7,271,454,630</b>
Equity	-	-	-	2,811,308,060	2,811,308,060
<b>Total Equity &amp; Liabilities</b>	<b>3,006,780,873</b>	<b>2,933,879,548</b>	<b>1,307,447,612</b>	<b>2,834,654,656</b>	<b>10,082,762,690</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 32. RISK MANAGEMENT (Contd....)

##### 32.14.3 Current and Non Current Analysis of Assets and Liabilities (Contd..)

As at 31 March 2021	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
<b>Assets</b>					
Cash in hand and balances with Banks	250,371,228	-	-	-	250,371,228
Reverse repurchased agreements	348,593,012	-	-	-	348,593,012
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,810,639,133	1,408,521,676	2,641,483,130	40,582,213	6,901,226,152
Financial assets measured at fair value	-	15,626,221	-	-	15,626,221
Investment in Real Estate	-	27,500,000	72,876,689	-	100,376,689
Intangible assets	-	-	-	10,431,787	10,431,787
Property, plant and equipment	-	-	-	275,796,861	275,796,861
Deferred tax assets	-	-	231,680,951	-	231,680,951
Other Assets	10,205,853	34,149,847	8,314,824	225,000	52,895,524
	<b>3,419,809,227</b>	<b>1,485,797,744</b>	<b>2,954,355,594</b>	<b>327,035,861</b>	<b>8,186,998,426</b>
<b>Liabilities</b>					
Due to banks	65,852,420	-	-	-	65,852,420
Due to other customers	843,454,600	1,900,347,599	1,696,886,855	-	4,440,689,054
Other Borrowed funds	1,000,474,655	1,121,119,846	511,500,040	-	2,633,094,541
Current Tax Liabilities	-	2,418,340	-	-	2,418,340
Financial Liabilities	74,085,151	31,446,452	-	-	105,531,603
Other Non Financial Liabilities	44,855,803	64,803,765	69,670,214	1,553,636	180,883,418
Post Employment Liability	-	-	-	20,352,117	20,352,117
	<b>2,028,722,630</b>	<b>3,120,136,001</b>	<b>2,278,057,110</b>	<b>21,905,753</b>	<b>7,448,821,493</b>
Equity	-	-	-	738,176,933	738,176,933
<b>Total Equity &amp; Liabilities</b>	<b>2,028,722,630</b>	<b>3,120,136,001</b>	<b>2,278,057,110</b>	<b>760,082,686</b>	<b>8,186,998,426</b>

#### 33. EVENTS AFTER THE REPORTING PERIOD

(a) The Central Bank of Sri Lanka significantly tightens its Monetary Policy stance to stabilise the Economy

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 08 April 2022, decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022.

(b) CCPI based headline inflation accelerated further on year-on-year basis in May 2022

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2013=100) increased to 39.1% in May 2022 from 29.8% in April 2022. This increase in Y-o-Y inflation was driven by the monthly increases of both Food and Non-Food categories. Subsequently, Food inflation (Y-o-Y) increased to 57.4% in May 2022 from 46.6% in April 2022, while Non-Food inflation (Y-o-Y) increased to 30.6% in May 2022 from 22.0% in April 2022.

No circumstances have arisen since the reporting date which should required adjustment to, or disclosure in the financial statement.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 34. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

##### As at 31 March 2022

Description of Property	Nature of Encumbrance	Carrying Amount of Assets Pledged Rs.	Included Under
Lease/ Hire Purchase rental receivable	Long term loans	2,571,829,734	Loans and receivables from Customers

##### As at 31 March 2021

Description of	Nature of Encumbrance	Assets Pledged Rs.	Included Under
Lease/ Hire Purchase rental receivable	Long term loans	2,188,117,442	Loans and receivables from Customers

#### 35. RELATED PARTY DISCLOSURES

The company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. Details of significant related party disclosures are as follows.

##### 35.1 Transactions with Key Management Personnel

Related party include Key Management Personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

In 2021, that Key Management Personnel (KMP) included the board of Directors of the company, Chief Executive Officer of the company, Chief Operating Officer, Head of Finance of the company, compliance officer and Board of Directors of the parent entity.

In 2022, the KMP list has been updated and includes the board of Directors of the company, Chief Executive Officer, Deputy General Manager - Credit and Operations, Deputy General Manager - Finance, Assistant General Manager - Channels, Assistant General Manager - Recovery, Chief Manager - Operations, Manager Risk, Head of Compliance, Head of Information Technology of the company and Board of Directors of the parent entity.

##### 35.2 Key Management Personnel Compensation

	2022 Rs.	2021 Rs.
Short-term employment benefits	36,012,838	19,745,291
Post Employment Benefits	4,014,933	4,667,218
Directors' emoluments	3,538,000	2,928,000
	<b>43,565,771</b>	<b>27,340,509</b>

Contribution to defined contribution plan in March 2022 is Rs. 4,014,933/- (in 2021 - Rs. 2,760,978/-)

In addition to the above, the Company has also provided non-cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 35 RELATED PARTY DISCLOSURES (Contd..)

#### 35.3 Transactions, arrangements and agreements with Key Management Personnel and their close members of the family of the company

The company enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year.

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by the KMP, in their dealing with the entity.

Statement of Financial Position	Reported Under	2022 Rs.	2021 Rs.
<b>Assets</b>			
Loans and Receivables	Financial Assets at amortized cost - Loans and Advances to Customers	3,459,080	2,196,222
<b>Liabilities</b>			
Fixed Deposits	Due to Customers	5,252,602	7,403,203
		5,252,602	7,403,203
<b>Statement of Comprehensive Income</b>			
Interest Income	Interest Income	243,180	276,552
Interest Expense on Customer Deposits	Interest Expenses		

#### 35.4 Transactions with Other Related Parties

##### 35.4.1 Transactions with parent Company - Union Bank of Colombo PLC.

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

#### Transactions with parent company

Statement of Financial Position	Reported Under	2022 Rs.	2021 Rs.
<b>Liabilities</b>			
Borrowings	Other Borrowed Funds	701,028,822	1,012,631,773
		<b>701,028,822</b>	<b>1,012,631,773</b>
<b>Statement of Comprehensive Income</b>			
Interest Expense on Borrowings	Interest Expense	75,344,785	130,268,034
Interest Income	Interest Income	12,734,975	1,863,020
Other Income	Other Operating Income	332,500	430,270
Expense Reimbursement	Other Expenses	246,059	130,290
		<b>88,658,319</b>	<b>132,691,615</b>
<b>Other Transactions</b>			
Borrowings Obtained during the Year		1,800,000,000	1,400,000,000
Borrowings settled during the Year		(2,112,631,773)	(1,120,833,358)
		<b>(312,631,773)</b>	<b>279,166,642</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

### 36. SEGMENT INFORMATION (Contd..)

For the Management purposes, the company is organised in to four operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

2022	Auto Loans	Property Loans	Gold Loans	Others	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	1,106,109,044	136,884,820	116,884,973	162,441,724	1,522,320,560
Interest Expenses	(413,149,832)	(73,926,928)	(45,804,677)	(146,095,124)	(678,976,561)
<b>Net Interest Income</b>	<b>692,959,212</b>	<b>62,957,891</b>	<b>71,080,296</b>	<b>16,346,600</b>	<b>843,343,999</b>
Fee and Commission Income	46,617,661	4,513,513	1,674,225	1,203,742	54,009,140
Fee and Commission Expenses	(32,127,799)	-	-	-	(32,127,799)
<b>Net Fee and Commission Income</b>	<b>14,489,862</b>	<b>4,513,513</b>	<b>1,674,225</b>	<b>1,203,742</b>	<b>21,881,341</b>
Other Operating Income (Net)	34,371,492	787,867	1,046,906	35,718,334	71,924,599
<b>Total Operating Income</b>	<b>741,820,566</b>	<b>68,259,271</b>	<b>73,801,427</b>	<b>53,268,676</b>	<b>937,149,939</b>
Impairment Charge for Loans and Receivables and Other Assets	(122,805,038)	(129,474,441)	(1,090,801)	(10,688,069)	(264,058,348)
<b>Net Operating Income</b>	<b>619,015,528</b>	<b>(61,215,171)</b>	<b>72,710,626</b>	<b>42,580,608</b>	<b>673,091,591</b>
Staff Costs	(146,087,909)	(26,140,227)	(16,196,326)	(28,271,030)	(216,695,492)
Depreciation of Property, Plant and Equipment	(31,956,546)	(5,718,142)	(3,542,926)	(6,184,252)	(47,401,866)
Amortisation of Intangible Assets	(1,547,851)	(276,965)	(171,606)	(299,541)	(2,295,963)
Other Expenses	(122,750,955)	(21,964,431)	(13,609,029)	(23,754,847)	(182,079,262)
<b>Operating Profit before Value Added Tax on Financial Services ( VAT on FS )</b>	<b>316,672,267</b>	<b>(115,314,935)</b>	<b>39,190,740</b>	<b>(15,929,063)</b>	<b>224,619,008</b>
Value Added Tax on Financial Services ( VAT on FS )	-	-	-	(63,189,514)	(63,189,514)
<b>Profit / (Loss) Before Taxation</b>	<b>316,672,267</b>	<b>(115,314,935)</b>	<b>39,190,740</b>	<b>(79,118,577)</b>	<b>161,429,494</b>
Tax Expense	-	-	-	(80,308,867)	(80,308,867)
<b>Profit for the Year</b>	<b>316,672,267</b>	<b>(115,314,935)</b>	<b>39,190,740</b>	<b>(159,427,444)</b>	<b>81,120,627</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2022

#### 36. SEGMENT INFORMATION

For the Management purposes, the company is organised in to four operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

2021	Auto Loans Rs.	Property Loans Rs.	Gold Loans Rs.	Others Rs.	Total Rs.
Interest Income	1,056,204,476	171,392,728	112,373,904	181,248,827	1,521,219,935
Interest Expenses	(606,560,347)	(129,064,106)	(51,091,788)	(142,179,323)	(928,895,566)
<b>Net Interest Income</b>	<b>449,644,129</b>	<b>42,328,622</b>	<b>61,282,116</b>	<b>39,069,503</b>	<b>592,324,369</b>
Fee and Commission Income	32,266,694	3,778,201	-	634,429	36,679,324
Fee and Commission Expenses	(11,641,336)	(122,014)	-	-	(11,763,350)
<b>Net Fee and Commission Income</b>	<b>20,625,358</b>	<b>3,656,187</b>	<b>-</b>	<b>634,429</b>	<b>24,915,974</b>
Other Operating Income (Net)	9,857,122	17,527,508	1,008,385	22,014,569	50,407,584
<b>Total Operating Income</b>	<b>480,126,609</b>	<b>63,512,317</b>	<b>62,290,501</b>	<b>61,718,501</b>	<b>667,647,927</b>
Impairment Charge for Loans and Receivables and Other Assets	(103,657,187)	(51,332,413)	(1,072,291)	(57,003,500)	(213,065,391)
<b>Net Operating Income</b>	<b>376,469,422</b>	<b>12,179,904</b>	<b>61,218,209</b>	<b>4,715,001</b>	<b>454,582,537</b>
Staff Costs	(118,790,023)	(25,276,179)	(10,005,921)	(27,844,691)	(181,916,813)
Depreciation of Property, Plant and Equipment	(30,646,723)	(6,521,020)	(2,581,435)	(7,183,672)	(46,932,848)
Amortisation of Intangible Assets	(1,362,045)	(289,816)	(114,728)	(319,267)	(2,085,856)
Other Expenses	(95,437,678)	(20,307,260)	(8,038,906)	(22,370,840)	(146,154,684)
<b>Operating Profit before Value Added Tax on Financial Services (VAT on FS)</b>	<b>130,232,954</b>	<b>(40,214,372)</b>	<b>40,477,221</b>	<b>(53,003,468)</b>	<b>77,492,335</b>
Value Added Tax on Financial Services (VAT on FS)	-	-	-	(35,870,630)	(35,870,630)
<b>Profit / (Loss) Before Taxation</b>	<b>130,232,954</b>	<b>(40,214,372)</b>	<b>40,477,221</b>	<b>(88,874,098)</b>	<b>41,621,705</b>
Tax Expense	-	-	-	(82,747,393)	(82,747,393)
<b>Profit for the Year</b>	<b>130,232,954</b>	<b>(40,214,372)</b>	<b>40,477,221</b>	<b>(171,621,492)</b>	<b>(41,125,688)</b>

**INITIAL  
PUBLIC  
OFFERING**

# PROSPECTUS

## ANNEXURE - F

### INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2022

Financial Advisors and Managers to the Issue



## UB FINANCE COMPANY LIMITED

### CONDENSED STATEMENT OF PROFIT & LOSS

Nine months ended	Note	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)
<b>Income</b>	2	<b>1,520,804,067</b>	<b>1,182,937,605</b>
Interest Income	2.1	1,442,647,364	1,092,930,841
Interest Expenses	2.2	(923,406,162)	(530,548,416)
<b>Net Interest Income</b>		<b>519,241,200</b>	<b>562,382,424</b>
Fee and Commission Income	2.3	34,944,158	37,859,862
Fee and Commission Expenses	2.3	(11,472,038)	(19,137,889)
<b>Net Fee and Commission Income</b>		<b>23,472,120</b>	<b>18,721,973</b>
Other Operating Income (Net)	3	43,212,546	52,146,902
<b>Total Operating Income</b>		<b>585,925,866</b>	<b>633,251,299</b>
Impairment Charge for Loans and Advances and Other Assets	4	(317,733,427)	(158,897,900)
<b>Net Operating Income</b>		<b>268,192,439</b>	<b>454,582,537</b>
Staff Costs	5	(203,161,638)	(154,649,134)
Depreciation of Property, Plant and Equipment		(38,396,131)	(35,741,756)
Amortisation of Intangible Assets	16	(1,749,030)	(1,723,933)
Other Expenses	6	(181,213,114)	(125,672,006)
<b>Operating Profit before Value Added Tax on Financial Services (VAT on FS)</b>		<b>(156,327,474)</b>	<b>156,567,270</b>
Value Added Tax on Financial Services (VAT on FS)		(11,686,497)	(42,828,703)
Social Security Contribution Levy (SSCL)		(1,443,327)	-
<b>Profit Before Taxation</b>	7	<b>(169,457,298)</b>	<b>113,738,567</b>
Tax Expense		-	(53,718,919)
<b>Profit for the Period</b>		<b>(169,457,298)</b>	<b>60,019,647</b>
Earnings per Share: Basic	8	(0.063)	0.015

The Accounting Policies and Notes on pages 6 through 22 form an integral part of these financial statements.

## UB FINANCE COMPANY LIMITED

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended	Note	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)
Profit for the Year		(169,457,298)	60,019,647
<b>Other Comprehensive Income to be reclassified to Income Statement</b>			
<b>Other Comprehensive Income not to be reclassified to Income Statement</b>			
Actuarial gains /(losses) on Post Employment Liability		-	(200,397)
Deferred Tax (Charge) /Reversal impact on above		-	48,095
Other Comprehensive Income for the period, net of taxes		-	(152,302)
<b>Total Comprehensive Income for the period</b>		<b>(169,457,298)</b>	<b>59,867,345</b>

The Accounting Policies and Notes on pages 6 through 22 form an integral part of these financial statements.

## UB Finance Company Limited

### CONDENSED STATEMENT OF FINANCIAL POSITION

As at	Note	12/31/2022 Rs. (Unaudited)	3/31/2022 Rs. (Audited)
<b>Assets</b>			
Cash in Hand and Balances with Banks	10	200,100,216	232,409,217
Reverse Repurchased Agreements	11	100,063,014	646,588,114
Balances with Central Bank of Sri Lanka		487,474,514	-
Financial Assets at amortized cost - Loans and Advances to Customers	12	8,670,602,248	8,632,676,626
Financial assets measured at fair value through Other Comprehensive Income	13	21,733,514	21,733,514
Investment in Real Estate	14	76,221,973	89,109,662
Other Assets	15	106,458,380	60,961,483
Intangible Assets	16	6,874,194	8,623,224
Property, Plant and Equipment	17	235,298,254	240,489,102
Deferred Tax Assets	18	150,171,748	150,171,748
<b>Total Assets</b>		<b>10,054,998,055</b>	<b>10,082,762,690</b>
<b>Liabilities</b>			
<b>Financial Liabilities at amortized cost</b>			
Due to Banks	19	78,619,694	83,954,874
Due to other Customers	20	6,427,524,848	4,892,138,425
Other Borrowed Funds	21	632,969,425	1,937,874,490
Financial Liabilities	22	114,280,649	149,146,508
Other non Financial Liabilities	23	133,952,417	184,993,737
Post Employment Liability		25,800,259	23,346,596
<b>Total Liabilities</b>		<b>7,413,147,292</b>	<b>7,271,454,630</b>
<b>Equity</b>			
Stated Capital	24	3,016,482,247	3,016,482,247
Statutory Reserve Fund	25	71,987,751	71,987,751
Fair Value Reserve		16,364,786	16,364,786
Revaluation Reserves		49,029,226	49,029,226
Accumulated Loss	26	(512,013,248)	(342,555,950)
<b>Total Shareholders' Equity</b>		<b>2,641,850,762</b>	<b>2,811,308,060</b>
<b>Total Equity and Liabilities</b>		<b>10,054,998,055</b>	<b>10,082,762,690</b>

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



**Asanka Udugama**  
Deputy General Manager - Finance

The Accounting Policies and Notes on pages 6 through 22 form an integral part of these financial statements.

16 March, 2023  
Colombo

UB Finance Company Limited  
CONDENSED STATEMENT OF CHANGES IN EQUITY  
Nine months ended

	Note	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Revaluation Reserves	Accumulated Profit/(Loss)	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 April 2021</b>		1,028,272,810	67,931,719	11,723,243	49,029,226	(4,18,780,066)	738,176,933
New Right Issue		1,988,209,437	-	-	-	-	1,988,209,437
Total Comprehensive Income		-	-	-	-	60,019,647	60,019,647
"Other Comprehensive Income (Net of deferred tax)"		-	-	-	-	(152,302)	(152,302)
Transfer to Statutory Reserve		-	3,000,982	-	-	(3,000,982)	-
<b>Balance as at 31 December 2021 (Unaudited)</b>		3,016,482,247	70,932,702	11,723,243	49,029,226	(361,913,704)	2,786,253,715
<b>Balance as at 01 April 2022</b>		3,016,482,247	71,987,751	16,364,786	49,029,226	(342,555,950)	2,811,308,060
Total Comprehensive Income		-	-	-	-	(169,457,298)	(169,457,298)
Transfer to Statutory Reserve	25.1	-	-	-	-	-	-
<b>Balance as at 31 December 2022 (Unaudited)</b>		3,016,482,247	71,987,751	16,364,786	49,029,226	(512,013,248)	2,641,850,762

The Accounting Policies and Notes on pages 6 through 22 form an integral part of these financial statements.

## UB FINANCE COMPANY LIMITED

### CONDENSED STATEMENT OF CASH FLOWS

Nine months ended			12/31/2022	12/31/2021
	Note		Rs.	Rs.
			(Unaudited)	(Unaudited)
<b>Cash Flow from Operating Activities</b>				
Interest Received			1,427,756,331	1,158,406,114
Fees and Commission Receipts	2.3		34,944,158	37,859,862
Interest Paid			(710,949,862)	(546,367,696)
Fees and Commission Paid	2.3		(11,472,038)	(19,137,889)
Payments on Other Operating Activities			(412,609,443)	(320,990,273)
<b>Operating Profit/ (loss) before changes in Operating Assets and Liabilities</b>			<b>327,669,146</b>	<b>309,770,118</b>
<b>(Increase) /Decrease in Operating Assets:</b>				
Funds Advanced to Customers	12		(346,370,948)	(1,097,039,433)
Others			(45,496,897)	365,170
<b>Increase in Operating Liabilities:</b>				
Due to other customers	20		1,304,059,205	(154,505,436)
Others			(62,440,954)	43,765,922
<b>Net Cash used in Operating Activities before Income Tax</b>			<b>1,177,419,553</b>	<b>(897,643,660)</b>
Retiring Gratuity paid	24		(1,674,670)	(1,988,450)
<b>Net Cash used in Operating Activities</b>			<b>1,175,744,883</b>	<b>(899,632,110)</b>
<b>Cash Flow from Investing Activities</b>				
Dividends Received			258,750	212,850
Purchase of Intangible Assets			-	(145,000)
Purchase of Property and Equipment	16		(16,055,185)	(8,391,092)
Proceeds from Sale of Property and Equipment	17		-	8,190,000
Proceeds from Sale of Real Estate			32,069,050	33,405,839
<b>Net Cash used in Investing Activities</b>			<b>16,272,615</b>	<b>33,272,597</b>
<b>Cash Flow from Financing Activities</b>				
Increase in Borrowings			(1,278,041,903)	(941,258,799)
Issues of Shares (Rights Issue)	21		-	1,988,209,437
<b>Net Cash Generated from Financing Activities</b>	24		<b>(1,278,041,903)</b>	<b>1,046,950,638</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>			<b>(86,024,405)</b>	<b>180,591,124</b>
<b>Cash and Cash Equivalents at Beginning of the period</b>			<b>795,042,455</b>	<b>533,111,821</b>
<b>Cash and Cash Equivalents at End of the Year</b>			<b>709,018,050</b>	<b>713,702,945</b>
<b>Reconciliation of Cash and Cash Equivalents</b>				
Cash in Hand			46,596,545	32,983,722
Balances with Banks (Net of Overdraft)			74,883,977	55,916,168
Reverse Repurchased Agreements			100,063,014	524,166,736
Investment in Treasury Bills			487,474,514	-
Investment in Fixed Deposits			-	100,636,319
			<b>709,018,050</b>	<b>713,702,945</b>

The Accounting Policies and Notes on pages 6 through 22 form an integral part of these financial statements.

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The interim condensed Financial Statements for the nine months ended 31 December 2022 have been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34 (Interim Financial Reporting).

The interim condensed Financial Statements do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 March 2022.

There are no changes to the accounting policies and methods of computations since the publication of the annual accounts for the year 2022.

Nine months ended	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)
<b>2 INCOME</b>		
Interest Income (Note 2.1)	1,442,647,364	1,092,930,841
Fee and Commission Income (Note 2.3)	34,944,158	37,859,862
Other Operating Income (Note 3)	43,212,546	52,146,902
	<b>1,520,804,067</b>	<b>1,182,937,605</b>
<b>2.1 Interest Income</b>		
Treasury Bills	70,743,019	-
Reverse Repurchased Agreements	18,347,375	13,947,193
Balances with banks	1,221,236	4,120,615
Loans and receivables to other customers	1,352,335,734	1,074,863,033
	<b>1,442,647,364</b>	<b>1,092,930,841</b>
<b>2.2 Interest Expense</b>		
Due to banks	135,480,855	199,475,895
Due to customers	779,933,064	321,854,052
Interest Expenses to Lease Liabilities - SLFRS-16	7,992,244	9,218,469
	<b>923,406,162</b>	<b>530,548,417</b>
<b>Net interest income</b>	<b>519,241,202</b>	<b>562,382,424</b>
<b>2.3 Net Fee and Commission Income</b>		
Fee and Commission Income	34,944,158	37,859,862
Fee and Commission Expenses	(11,472,038)	(19,137,889)
<b>Net fee and commission income</b>	<b>23,472,120</b>	<b>18,721,973</b>

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine months ended

**12/31/2022**  
**Rs.**  
**(Unaudited)**

**12/31/2021**  
**Rs.**  
**(Unaudited)**

### 3. OTHER OPERATING INCOME

Gain on Sale of Property, Plant and Equipment	-	3,374,314
Operating profit on Real Estate	19,781,361	22,138,512
Income on write off Recoveries	21,008,199	20,779,537
Others	2,422,987	5,854,539
	<b>43,212,546</b>	<b>52,146,902</b>

### 4. IMPAIRMENT CHARGE FOR LOANS AND ADVANCES AND OTHER ASSETS

Impairment on Balance Sheet Exposure	320,706,147	163,407,203
Impairment on off Balance Sheet Exposure	(2,972,721)	(4,510,003)
Impairment charge for Financial assets at amortised cost	<b>317,733,427</b>	<b>158,897,200</b>

#### 4.1 Financial assets at amortised cost- loans and advances to customers

Stage 1	(54,635,337)	18,009,583
Stage2	101,920,070	(19,386,668)
Stage 3	270,448,693	160,274,285
Impairment (Off and on Balance Sheet)	<b>317,733,427</b>	<b>158,897,200</b>

### 5. STAFF COSTS

Salaries	159,875,760	122,269,807
Employee benefit - defined contribution plans (EPF/ETF)	20,905,760	16,362,501
Employee benefit - defined benefit plans	4,050,000	3,522,863
Staff related expenses	17,292,543	11,841,431
Others	1,037,574	652,533
	<b>203,161,638</b>	<b>154,649,134</b>

### 6. OTHER EXPENSES

Directors' emoluments	2,928,000	2,440,000
Auditors' remuneration	1,800,000	1,800,000
Professional and legal expenses	4,026,550	3,910,874
Advertising & Marketing expenses	24,206,136	12,664,521
Office administration and establishment expenses	139,620,268	98,954,987
Others	8,632,161	5,901,624
	<b>181,213,115</b>	<b>125,672,006</b>

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine months ended

	Note	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)
<b>7. TAXATION</b>			
The components of income tax expense for the period ended 31 December 2022 are;			
Current Tax	7.1	-	-
Over provisionof taxes		-	-
ESC write-off charge		-	-
Deferred tax charge		-	53,718,919
		-	53,718,919
<b>7.1 RECONCILITATION OF CURRENT INCOME TAX EXPENSE</b>			
Profit Before Tax		(169,457,298)	113,738,567
Add: Disallowable Expenses		467,190,302	303,030,747
Less: Tax Deductible Expenses		(322,554,223)	(115,994,353)
Statutory Income		(24,821,219)	300,774,961
<b>Less : Deductions under Section 32</b>			
: Tax Losses claimed		24,821,219	(300,774,961)
Taxable Income/ Loss		-	-
<b>Tax expense for the period (@24%-Apr-Sep 2022 and 30%-Oct-Dec 2022 )</b>			
Tax Expenses		-	-
ESC write-off charge		-	53,718,919
Deferred tax		-	53,718,919
<b>Effective Tax Rate</b>		0.00%	47.23%
<b>Effective Tax Rate (Excluding Deferred tax)</b>		0.00%	0.00%

## UB Finance Company Limited

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

#### 8. EARNINGS PER SHARE

8.1 Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, as per LKAS 33- Earnings Per Share.

8.2 The following reflects the income and share details used in the computation of the Basic Earning per Share.

Nine months ended	Note	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)
<b>Earnings per Share: Basic</b>			
<b>Amount used as the numerator</b>			
Profit after tax for the year attributable to equity holders		(169,457,298)	60,019,647
<b>No. of ordinary shares used as the denominator</b>			
Weighted average number of ordinary shares	8.2.1	2,699,687,318	3,898,489,742
Basic / diluted earnings per ordinary share		<b>(0.063)</b>	<b>0.015</b>

#### 8.2.1 Weighted Average Number of Ordinary Shares for Basic EPS

Nine months ended	Outstanding No. of Shares		Weighted Average No. of Shares	
	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Unaudited)
Number of shares in issue as at 1st April	2,699,687,318	3,898,489,742	2,699,687,318	2,295,095,035
Add : Number of shares issued under rights issue	-	-	-	1,603,394,707
Number of shares in issue / weighted average number of shares	2,699,687,318	3,898,489,742	2,699,687,318	3,898,489,742

#### 9. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial asset and liabilities are measured and how income and expenses including fair value gains and losses are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in the Sri Lanka Accounting Standards - SLFRS 9: Financial instruments under headings of the statement of financial position.

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 9. MEASUREMENT OF FINANCIAL INSTRUMENTS (Contd...)

As at 31 December 2022 (Unaudited)	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
<b>ASSETS</b>				
Cash in Hand and Balances with Banks	-	-	200,100,216	200,100,216
Reverse repurchased agreements	-	-	100,063,014	100,063,014
Treasury Bills	-	-	487,474,514	487,474,514
Financial investments at amortised cost-loans and advances to customers	-	-	8,670,602,248	8,670,602,248
Financial investments at fair value through other comprehensive income	-	21,733,514	-	21,733,514
Other Assets	-	-	37,195,741	37,195,741
<b>Total Financial Assets</b>		21,733,514	9,495,435,732	9,517,169,245

	Fair value through P&L Rs.	Amortised cost Rs.	Total Rs.
<b>LIABILITIES</b>			
Due to Banks	-	78,619,694	78,619,694
Due to other Customers	-	6,427,524,848	6,427,524,848
Other Borrowed Funds	-	632,969,425	632,969,425
Financial Liabilities	-	114,280,649	114,280,649
<b>Total Financial Liabilities</b>	-	7,253,394,616	7,253,394,616

As at 31 March 2022 (Audited)	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
<b>ASSETS</b>				
Cash in Hand and Balances with Banks	-	-	232,409,217	232,409,217
Reverse repurchased agreements	-	-	646,588,114	646,588,114
Financial investments at amortised cost-loans and advances to customers	-	-	8,632,676,626	8,632,676,626
Financial investments at fair value through other comprehensive income	-	21,733,514	-	21,733,514
Other Assets	-	-	4,693,407	4,693,407
<b>Total Financial Assets</b>	-	21,733,514	9,516,367,364	9,538,100,877

	Fair value through P&L Rs.	Amortised cost Rs.	Total Rs.
<b>LIABILITIES</b>			
Due to Banks	-	83,954,874	83,954,874
Due to other Customers	-	4,892,138,425	4,892,138,425
Other Borrowed Funds	-	1,937,874,490	1,937,874,490
Other Financial Liabilities	-	149,146,508	149,146,508
<b>Total Financial Liabilities</b>	-	7,063,114,296	7,063,114,296

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at	Notes	12/31/2022 Rs. (Unaudited)	12/31/2021 Rs. (Audited)
<b>10. CASH IN HAND AND BALANCES WITH BANKS</b>			
Cash in hand		46,596,545	35,802,744
Cash at Banks		153,503,671	196,606,473
		<b>200,100,216</b>	<b>232,409,217</b>
<b>11. REVERSE REPURCHASED AGREEMENTS</b>			
Due from Banks		100,063,014	646,588,114
		<b>100,063,014</b>	<b>646,588,114</b>
<b>12. FINANCIAL ASSETS AT AMORTIZED COST - LOANS AND ADVANCES TO CUSTOMERS</b>			
Gross loans and receivables	12.1	9,694,065,765	9,338,064,207
(Less): Individual impairment	12.3	(298,413,803)	(183,707,513)
Collective impairment	12.3	(725,049,715)	(521,680,068)
<b>Net loans and receivables</b>		<b>8,670,602,248</b>	<b>8,632,676,626</b>
<b>12.1 Stage wise classification of gross loans and receivables</b>			
Stage 1		4,466,578,407	6,301,434,562
Stage 2		1,974,008,073	1,070,735,315
Stage 3		3,253,479,286	1,965,894,330
		<b>9,694,065,765</b>	<b>9,338,064,207</b>
<b>12.1.1 Gross Loans and Receivables from Customers - By Product</b>			
Leasing / Hire Purchase		3,517,880,523	3,739,855,454
Term loans		3,653,114,832	3,211,242,683
Easy Draft		1,082,491,971	1,345,950,072
Gold Loans		1,171,102,891	765,553,295
Factoring & Cheque Discounting		237,890,564	227,701,398
Housing Loans		31,584,984	47,761,305
		<b>9,694,065,765</b>	<b>9,338,064,207</b>

## UB Finance Company Limited

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

#### 12.1.2 Contractual maturities of Loans and Receivables from customers

	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total
<b>As at 31st December 2022 (Unaudited)</b>				
Loans and Receivables	<u>5,574,312,975</u>	<u>4,056,600,096</u>	<u>63,152,694</u>	<u>9,694,065,765</u>
<b>As at 31st March 2022 (Audited)</b>				
Loans and Receivables	<u>4,573,102,084</u>	<u>4,567,368,919</u>	<u>197,593,204</u>	<u>9,338,064,207</u>
<b>As at</b>			<b>12/31/2022 Rs. (Unaudited)</b>	<b>03/31/2022 Rs. (Audited)</b>

#### 12.2 Gross Loans and Receivables to other customers - By Industry

Services including Bank, finance and Insurance	3,578,979,031	2,847,981,543
Other	1,650,131,030	1,860,645,781
Trading and Manufacturing	2,792,582,095	2,801,363,367
Construction and Transport	1,094,792,837	1,189,607,138
Agriculture	577,580,771	638,466,378
	<u>9,694,065,765</u>	<u>9,338,064,207</u>

#### 12.3 Movements in Individual and Collective Impairment Charges during the Year

##### Individual impairment charges

Balance as at 01 April	(183,707,513)	(195,243,103)
Charge to income statement	(117,336,501)	(132,984,995)
Impairment reversals on loan write off	2,630,211	144,520,585
<b>Balance as at</b>	<b>(298,413,803)</b>	<b>(183,707,513)</b>

##### Collective impairment charges

Balance as at 01 April	(521,680,068)	(390,486,972)
(Charge)/Reversal to income statement	(203,369,646)	(131,193,097)
Impairment reversals on loan write off	-	-
<b>Balance as at</b>	<b>(725,049,715)</b>	<b>(521,680,068)</b>

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 13. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at	Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)
Equity securities			
Unquoted	13.1	21,733,514	21,733,514
		<b>21,733,514</b>	<b>21,733,514</b>

#### As at 12/31/2022 (Unaudited)

#### As at 3/31/2022 (Audited)

### 13.1 Unquoted Investments

	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
Credit Information Bureau	9	900	900	9	900	900
Finance House Consortium (Pvt) Ltd	20,000	200,000	200,000	20,000	200,000	200,000
CEG Education Holdings	22,500	15,425,321	21,532,614	22,500	15,425,321	21,532,614
		<b>15,626,221</b>	<b>21,733,514</b>		<b>15,626,221</b>	<b>21,733,514</b>

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

As at	Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)
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### 14. INVESTMENTS IN REAL ESTATE

<b>Land</b>		
Cost	24,195,218	36,632,907
Less : Provision	(3,300,410)	(3,300,410)
<b>Net Value</b>	<b>20,894,808</b>	<b>33,332,498</b>
<b>Housing Projects</b>		
Cost	4,875,190	4,875,190
Less : Provision	(2,899,969)	(2,899,969)
<b>Net Value</b>	<b>1,975,221</b>	<b>1,975,221</b>
<b>Other Projects</b>		
Cost	170,462,900	170,462,900
Less : Provision	(117,110,955)	(116,660,956)
<b>Net Value</b>	<b>53,351,944</b>	<b>53,801,944</b>
	<b>76,221,973</b>	<b>89,109,662</b>

### 15. OTHER ASSETS

<b>Other Financial Assets</b>		
Other Financial Assets	37,195,741	4,693,407
<b>Other Non Financial Assets</b>		
Advances	1,860,630	3,565,611
Deposits and Prepayments	51,641,288	36,941,744
Other Tax Receivable	15,760,722	15,760,722
	<b>106,458,380</b>	<b>60,961,483</b>

### 16. INTANGIBLE ASSETS

<b>Cost</b>		
Balance as at 01 April	32,145,081	31,657,681
Additions/ Transfers	-	487,400
Balance as at	<b>32,145,081</b>	<b>32,145,081</b>
<b>(Less): Amortisation of Intangible Assets</b>		
Balance as at 01 April	23,521,857	21,225,893
Amortisation for the period	1,749,030	2,295,963
Balance as at	25,270,887	23,521,857
<b>Net book value at</b>	<b>6,874,194</b>	<b>8,623,224</b>

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 17. PROPERTY, PLANT AND EQUIPMENT

#### 17.1 Property, Plant and Equipment

December 2022 (Unaudited)	Land and Buildings Rs.	Leasehold Improvements Rs.	Computer & Equipments Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Sub Total Rs.	Right-of-Use Assets (Office Premises) Rs.	Total Rs.
<b>Cost or Valuation</b>								
Balance as at 01 April	111,742,500	56,847,241	52,800,719	89,447,770	64,943,397	375,781,626	93,083,436	468,865,062
Additions	-	7,005,009	777,430	8,272,746	-	16,055,185	18,626,094	34,681,279
Revaluation Surplus	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(1,475,997)	(1,475,997)
<b>Closing balance as at 31 December</b>	<b>111,742,500</b>	<b>63,852,250</b>	<b>53,578,149</b>	<b>97,720,516</b>	<b>64,943,397</b>	<b>391,836,811</b>	<b>110,233,534</b>	<b>502,070,345</b>

#### (Less): Accumulated depreciation

Balance as at 01 April	3,331,899	45,011,122	42,708,834	57,962,007	28,911,927	177,925,789	50,450,171	228,375,960
Charge for the year	501,792	5,446,997	3,523,609	6,055,734	7,323,238	22,851,369	15,544,762	38,396,131
Disposals	-	-	-	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>3,833,691</b>	<b>50,458,119</b>	<b>46,232,443</b>	<b>64,017,741</b>	<b>36,235,165</b>	<b>200,777,158</b>	<b>65,994,933</b>	<b>266,772,091</b>
<b>Net book value as at 31 December</b>	<b>107,908,809</b>	<b>13,394,131</b>	<b>7,345,706</b>	<b>33,702,775</b>	<b>28,708,233</b>	<b>191,059,653</b>	<b>44,238,600</b>	<b>235,298,254</b>

#### 31-03-2022 (Audited)

Cost or Valuation	Land and Buildings Rs.	Leasehold Improvements Rs.	Computer & Equipments Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Sub Total Rs.	Right-of-Use Assets (Office Premises) Rs.	Total Rs.
Balance as at 01 April	111,742,500	56,354,966	47,641,459	89,162,395	76,825,622	381,726,942	93,083,436	474,810,378
Additions	-	492,275	5,159,260	3,762,418	7,617,775	17,031,728	-	17,031,728
Revaluation Surplus	-	-	-	-	-	-	-	-
Disposals	-	-	-	(3,477,044)	(19,500,000)	(22,977,044)	-	(22,977,044)
<b>Balance as at 31 March 2022</b>	<b>111,742,500</b>	<b>56,847,241</b>	<b>52,800,718</b>	<b>89,447,770</b>	<b>64,943,397</b>	<b>375,781,626</b>	<b>93,083,436</b>	<b>468,865,062</b>

#### (Less): Accumulated depreciation

Balance as at 01 April	2,665,884	38,877,254	38,311,973	53,762,005	33,101,202	166,718,318	32,295,199	199,013,517
Charge for the period	666,015	6,133,868	4,396,861	7,555,110	10,495,040	29,246,894	18,154,972	47,401,866
Disposals	-	-	-	(3,355,108)	(14,684,314)	(18,039,423)	-	(18,039,423)
<b>Balance as at 31 March</b>	<b>3,331,899</b>	<b>45,011,122</b>	<b>42,708,834</b>	<b>57,962,007</b>	<b>28,911,927</b>	<b>177,925,789</b>	<b>50,450,171</b>	<b>228,375,960</b>
<b>Net book value as at 31 March</b>	<b>108,410,601</b>	<b>11,836,119</b>	<b>10,091,883</b>	<b>31,485,763</b>	<b>36,031,470</b>	<b>197,855,837</b>	<b>42,633,265</b>	<b>240,489,102</b>

As at

Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)
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#### 17.2 Net Book Values

##### At Cost or valuation

Land and Buildings	107,908,809	108,410,601
Leasehold Assets	13,394,131	11,836,119
Motor Vehicles	28,708,233	36,031,470
Computer & Equipments	7,345,706	10,091,883
Furniture & Fittings	33,702,775	31,485,763
Right-of-Use Assets (Office Premises)	44,238,600	42,633,265
	<b>235,298,254</b>	<b>240,489,102</b>

**17.3** During the financial period, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 34,681,279/-.

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 17.4 Fair Valuation Process and Key Valuation Assumptions

The Company measures land and buildings at revalued amounts with gains in fair value being recognised in equity (Revaluation Reserve) and losses in the Statement of Income Statement. The Company usually engages an external independent and qualified valuer once in three year basis to determine the fair values. When significant changes in fair values are expected in between, a valuation is adopted in more regular basis, based on the judgment of the Board, appropriately advised by the valuer.

The latest revaluation has been carried out by Mr. D.Jayawardena a Chartered Independent Valuer as at 31st March 2020. The valuation of the building has been determined using the investment approach which falls under level 3 of the fair value measurement hierarchy. The carrying value of such revalued building as at 31 March 2020 are approximate the fair values determined by Mr. D.Jayawardena as at 31 March 2020.

Key significant unobservable valuation inputs are as follows :

Bokundara Property	Rs. 400,000 - Rs. 450,000 per perch			
Negombo Property	Average rate Rs. 80/- as monthly income - Estimated monthly income Rs. 400,000/-	40% Out goings from Gross annual income	5% for contingencies	20 Mn as Insurance value of the building

17.5 There were no significant temporarily idling assets as at 31 December 2022.

17.6 Company continues to use Property Plant and Equipment which are fully depreciated amounting to Rs. 81,261,668/- as at 31 December 2022.

### 18. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings;

#### Statement of Financial Position

As at	Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)
<b>Deferred Tax Assets</b>			
Carried forward retained loss		79,746,173	122,291,887
Right of use assets		2,551,293	4,452,992
Defined Benefit Plans		8,605,655	5,603,183
Impairment allowance		106,237,309	75,572,262
		<b>197,140,429</b>	<b>207,920,324</b>
<b>Deferred Tax Liability</b>			
Depreciation of Property Plant and Equipment		(14,274,127)	(11,906,730)
Capital Allowance on Lease Assets		(8,194,676)	(26,241,943)
Fair value reserve		(6,459,784)	(5,167,827)
Revaluation reserve		(18,040,094)	(14,432,075)
		<b>(46,968,682)</b>	<b>(57,748,576)</b>
<b>Net Deferred Tax Asset</b>		<b>150,171,748</b>	<b>150,171,748</b>
<b>Deferred Tax Assets/ (Liabilities) Movement</b>			
Balance as at beginning of the year		150,171,748	231,680,951
Transitional adjustment on the implementation of SLFRS 16		-	-
Deferred tax (charged)/reversed to the Statement of Profit or Loss		-	(80,308,867)
Deferred Tax charged to the other comprehensive income		-	(1,200,336)
Balance as at the end of the period		<b>150,171,748</b>	<b>150,171,748</b>

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

As at	Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)			
<b>19. DUE TO BANKS</b>						
Bank Overdraft		78,619,694	83,954,874			
		<b>78,619,694</b>	<b>83,954,874</b>			
<b>20 DUE TO OTHER CUSTOMERS</b>						
At amortised cost	20.1	6,427,524,848	4,892,138,425			
		<b>6,427,524,848</b>	<b>4,892,138,425</b>			
<b>20.1 Due to Other Customers - By Products</b>						
Savings deposits		5,329,390	30,269,312			
Fixed deposits		6,422,195,458	4,861,869,113			
		<b>6,427,524,848</b>	<b>4,892,138,425</b>			
<b>21. OTHER BORROWED FUNDS</b>						
Borrowings from Financial Institutions & Banks		632,969,425	1,937,874,490			
Corporate Debenture		-	-			
		<b>632,969,425</b>	<b>1,937,874,490</b>			
<b>21.1 Maturity</b>						
	<b>As at 12/31/2022 (Unaudited)</b>		<b>As at 03/31/2022 (Audited)</b>			
	Amount repayable within 1 year Rs.	Amount repayabale after 1 year Rs.	Total Rs.	Amount repayabale within 1 year Rs.	Amount repayabale after 1 year Rs.	Total Rs.
Due to Bank						
Securitised Borrowings and Other Bank Facilities	632,969,425	-	632,969,425	1,759,832,635	178,041,855	1,937,874,490
	<b>632,969,425</b>	<b>-</b>	<b>632,969,425</b>	<b>1,759,832,635</b>	<b>178,041,855</b>	<b>1,937,874,490</b>
<b>21.2 Movement</b>						
	As at 01.04.2022 Rs.	Loans Obtained Rs.	Interest Recognised Rs.	Repayment Capital Rs.	Interest Rs.	As at 31.12.2022 Rs.
Securitised Borrowings and Other Bank Facilities						
Direct Borrowings	1,937,874,490	2,523,500,000	127,697,379	3,801,541,903	154,560,541	632,969,425
As at	Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)			
<b>22. FINANCIAL LIABILITIES</b>						
Vendor Payables		644,499	37,144,750			
Fees Payable		2,888,889	2,021,173			
Sundry Creditors		59,693,920	63,652,455			
Other Financial Liabilities		51,053,341	46,328,131			
		<b>114,280,649</b>	<b>149,146,508</b>			
<b>23. NON FINANCIAL LIABILITIES</b>						
Provisions & Accrued Expenses		36,554,027	35,973,375			
Other Payables		14,264,087	52,539,344			
Lease Liability - Rent		60,812,424	71,186,417			
Impairment on off Balance Sheet Exposure		22,321,879	25,294,601			
		<b>133,952,417</b>	<b>184,993,738</b>			

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 24 STATED CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

#### Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

	12/31/2022 Rs.	03/31/2022 Rs.
Issued and fully paid ordinary share capital	3,016,482,247	1,028,272,810
Additions during the year	-	1,988,209,437
	<b>3,016,482,247</b>	<b>3,016,482,247</b>
Number of ordinary shares issued	2,699,687,318	2,699,687,318

As at	Note	12/31/2022 Rs. (Unaudited)	03/31/2022 Rs. (Audited)
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### 25 STATUTORY RESERVE FUND

**25.1** Five percent of the profits after tax is transferred to the Reserve Fund as required by the Section 3b (i) of the Central Bank Direction No 01 of 2003.

Balance as at the beginning of the period	71,987,751	67,931,719
Transfer during the period	-	4,056,031
Balance as at the end of the period	<b>71,987,751</b>	<b>71,987,751</b>

### 26 ACCUMULATED LOSS

Balance as at 1 April	(342,555,950)	(418,780,067)
Profit for the year	(169,457,298)	81,120,627
Other Comprehensive Income for the year	-	(840,479)
Transfer to Statutory Reserve Fund	-	(4,056,031)
<b>Balance as at</b>	<b>(512,013,248)</b>	<b>(342,555,950)</b>

### 27 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company incurs certain contingent liabilities. This consists mainly of undrawn commitments to lend.

Though these obligations may not be recognised on the Statement of Financial Position, they do not contain credit risk and are therefore part of the overall risk of the Company.

#### 27.1 Capital commitments

Undrawn loan commitments	103,299,261	160,365,000
	<b>103,299,261</b>	<b>160,365,000</b>

## UB Finance Company Limited

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

#### 27.2 Litigation

Litigation is a common occurrence in the Company industry due to the nature of the business undertaken. The Company has an established legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Company makes adjustments to account for any adverse effect which the claims may have on its financial standing. Set out below are unresolved legal claims against the Company as at the period ended for which adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

##### Litigations against UB Finance Company Limited

- a Loan/ Lease based cases (in relation to immovable assets).
- |   |                         |
|---|-------------------------|
| - Magistrate Court - Kesbewa                          | Case Number 82353,      |
| - Distric Court - Kesbewa                             | Case number RE 44       |
| - Distric Court - Colombo                             | DSP/0266/12, DSP 63/10, |
| - Distric Court - Panadura                            | 2121/P                  |
| - Distric Court - Attanagalla                         | 1547/L, 1558/20/L       |
| - Commercial High Court of Civil Appellate - Kalutara | HCCA/KAL/137/13/F,      |
- b Loan/Lease based cases ( In relation to movable assets) .
- |  |  |
|--|--|
| - Distric Court - Colombo                            | DSP/222/10 , DMR 925/14, DC,<br>DSP/122/2020, DSP 01/2022,<br>DHP 4094/2022, DMR 3085/22 |
| - Commercial High Court of Civil Appellate - Colombo | WP/HCCA/COL/101/19(F),<br>WP/HCCA/ COL/314/LA  |
| - Distric Court - Kandy                              | DMR/830/20   |
| - Distric Court - Homagama                           | 21096 MR   |
| - Distric Court - Ratnapura                          | 38494 SPL  |
| - Distric Court - Elpitiya                           | 1966-M   |
- c Cases filed against the Company over the Fixed Deposit matters and Unpaid Deposits.
- |  |   |
|--|---|
| - Magistrate Court - Colombo                         | B/4004/14, B/4005/14                              |
| - Distric Court - Colombo                            | DTS/279/08 ,                                      |
| - Commercial High Court of Civil Appellate - Colombo | WP/HACCA/COL/LA/77/18 ,                           |
| - Commercial High Court - Colombo                    | CHC/503/15, CHC/533/15, CHC/535/15,<br>CHC/536/15 |
| - Supreme Court - Colombo                            | SC/HCCA/LA/NO139/2020, SC/FR/317/9                |



## UB Finance Company Limited

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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d Actions filed against the Company regarding Joint Venture Projects over the construction matters, advance payments, possession of project properties and unpaid bills.

- High Court - Civil - Colombo	HC/Civil/177/10 , DLM 000148/2017,
- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019, SC/HCCA/LA/281/2021
- Commercial High Court of Civil Appellate - Colombo	WP/HCCA/COL/121/18
- Distric Court - Colombo	DMR/1615/17,DMR/1801/12,DLM/174/12
- Distric Court - Kaduwela	L/533/15
- Distric Court - Negombo	8164/L, SPL 3579/17

e Cases Filed Against the Company by the employees

- Magistrate Court - Fort	LB 76305
- Court of Appeal - Fort	CA(Writ) 315/2011
- Supreme Court - Colombo	SC/APP/26/2014
- Labour Commissioner	CE/D6/04/61/2016,CLE/COM/67/2022/16

#### 27.3 Contingent Liabilities

The Company has received a judgement against the Company and the Company has filled leave to appeal applications at the Civil appellate. The Company legal counsellors are of the view that there will be no additional liability on same.

#### 27.4 Capital Commitments

The Company has no commitments for acquisition of Property Plant & Equipments incidence to the ordinary course of Business.

# UB Finance Company Limited

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 28 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which should required adjustment to, or disclosure in the financial statement.

### 29 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

#### As at 31 December 2022 (Unaudited)

Description of Property	Nature of encumbrance	Carrying Amount of Assets Pledged Rs.	Included Under
Lease/ Hire Purchase rental receivable	Long term loans	1,232,212,716	Loans and receivables from Customers

#### As at 31 March 2022(Audited)

Description of Property	Nature of encumbrance	Carrying Amount of Assets Pledged Rs.	Included Under
Lease/ Hire Purchase rental receivable	Long term loans	2,571,829,734	Loans and receivables from Customers

## UB Finance Company Limited

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

#### 30. SEGMENT INFORMATION

For the Management purposes, the company is organised in to four operating segments based on the services offered to customers. The following table presents income, expenses and profit of the company's operating segments.

##### Nine months ended 31 December 2022 (Unaudited)

	Auto Loans		Property Loans		Gold Loans		Others		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.	
Interest Income	964,132,197		33,709,682		211,308,042		233,497,443		1,442,647,364	
Interest Expenses	(614,682,078)		(96,748,435)		(93,963,222)		(118,012,427)		(923,406,162)	
<b>Net Interest Income</b>	<b>349,450,120</b>		<b>(63,038,754)</b>		<b>117,344,819</b>		<b>115,485,016</b>		<b>519,241,201</b>	
Fee and Commission Income	22,666,266		276,417		8,564,179		3,437,296		34,944,158	
Fee and Commission Expenses	(11,472,038)		-		-		-		(11,472,038)	
<b>Net Fee and Commission Income</b>	<b>11,194,228</b>		<b>276,417</b>		<b>8,564,179</b>		<b>3,437,296</b>		<b>23,472,120</b>	
Other Operating Income (Net)	18,151,263		2,856,934		1,168,580		21,035,768		43,212,546	
<b>Total Operating Income</b>	<b>378,795,611</b>		<b>(59,905,403)</b>		<b>127,077,578</b>		<b>139,958,080</b>		<b>585,925,866</b>	
Impairment Charge for Loans and Receivables and Other Assets	(273,542,066)		(17,543,636)		(8,837,698)		(17,810,027)		(317,733,427)	
<b>Net Operating Income</b>	<b>105,253,545</b>		<b>(77,449,039)</b>		<b>118,239,881</b>		<b>122,148,053</b>		<b>268,192,439</b>	
Staff Costs	(135,238,233)		(21,285,943)		(20,673,159)		(25,964,304)		(203,161,638)	
Depreciation of Property, Plant and Equipment	(25,559,082)		(4,022,895)		(3,907,083)		(4,907,072)		(38,396,131)	
Amortisation of Intangible Assets	(1,164,274)		(183,252)		(177,976)		(223,528)		(1,749,030)	
Other Expenses	(114,993,540)		(19,865,442)		(21,891,661)		(24,462,471)		(181,213,114)	
<b>Operating Profit before Value Added Tax on Financial Services (VAT on FS)</b>	<b>(171,701,583)</b>		<b>(122,806,569)</b>		<b>71,590,002</b>		<b>66,590,678</b>		<b>(156,327,474)</b>	
Value Added Tax on Financial Services (VAT on FS) & Social Security Contribution Levy (SSCL)	-		-		-		(13,129,824)		(13,129,824)	
<b>Profit / (Loss) Before Taxation</b>	<b>(171,701,583)</b>		<b>(122,806,569)</b>		<b>71,590,002</b>		<b>53,460,854</b>		<b>(169,457,297)</b>	
Tax Expense	-		-		-		-		-	
<b>Profit for the period</b>	<b>(171,701,583)</b>		<b>(122,806,569)</b>		<b>71,590,002</b>		<b>53,460,854</b>		<b>(169,457,297)</b>	

## UB Finance Company Limited NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 30. SEGMENT INFORMATION (Contd...)

For the Management purposes, the company is organised in to four operating segments based on the services offered to customers. The following table presents income, expenses and profit of the company's operating segments.

	Nine months ended 31 December 2021 (Unaudited)				
	Auto Loans Rs.	Property Loans Rs.	Gold Loans Rs.	Others Rs.	Total Rs.
Interest Income	788,283,366	122,079,342	83,293,657	99,274,476	1,092,930,841
Interest Expenses	(345,954,894)	(70,747,065)	(39,316,910)	(74,529,547)	(530,548,416)
<b>Net Interest Income</b>	<b>442,328,472</b>	<b>51,332,277</b>	<b>43,976,747</b>	<b>24,744,929</b>	<b>562,382,424</b>
Fee and Commission Income	28,073,227	2,843,110	852,925	6,090,600	37,859,862
Fee and Commission Expenses	(19,137,889)	-	-	-	(19,137,889)
<b>Net Fee and Commission Income</b>	<b>8,935,338</b>	<b>2,843,110</b>	<b>852,925</b>	<b>6,090,600</b>	<b>18,721,973</b>
Other Operating Income (Net)	19,963,191	817,990	1,302,341	30,063,380	52,146,902
<b>Total Operating Income</b>	<b>471,227,001</b>	<b>54,993,377</b>	<b>46,132,013</b>	<b>60,898,909</b>	<b>633,251,300</b>
Impairment Charge for Loans and Receivables and Other Assets	(30,309,934)	(132,676,220)	(707,878)	4,796,832	(158,897,200)
<b>Net Operating Income</b>	<b>440,917,068</b>	<b>(77,682,843)</b>	<b>45,424,135</b>	<b>65,695,740</b>	<b>474,354,100</b>
Staff Costs	(101,877,692)	(18,796,935)	(12,608,439)	(21,366,069)	(154,649,135)
Depreciation of Property, Plant and Equipment	(23,545,477)	(4,344,256)	(2,914,001)	(4,938,022)	(35,741,756)
Amortisation of Intangible Assets	(1,135,669)	(209,537)	(140,551)	(238,176)	(1,723,933)
Other Expenses	(82,788,526)	(15,274,890)	(10,245,953)	(17,362,637)	(125,672,006)
<b>Operating Profit before Value Added Tax on Financial Services (VAT on FS)</b>	<b>231,569,704</b>	<b>(116,308,460)</b>	<b>19,515,191</b>	<b>21,790,837</b>	<b>156,567,270</b>
Value Added Tax on Financial Services (VAT on FS)	-	-	-	(42,828,703)	(42,828,703)
<b>Profit / (Loss) Before Taxation</b>	<b>231,569,704</b>	<b>(116,308,460)</b>	<b>19,515,191</b>	<b>(21,037,866)</b>	<b>113,738,568</b>
Tax Expense	-	-	-	(53,718,919)	(53,718,919)
<b>Profit for the period</b>	<b>231,569,704</b>	<b>(116,308,460)</b>	<b>19,515,191</b>	<b>(74,756,785)</b>	<b>60,019,648</b>

# INITIAL PUBLIC OFFERING

## PROSPECTUS

### ANNEXURE - G


### LITIGATION SUMMARY

Financial Advisors and Managers to the Issue




## ANNEXURE G – LITIGATION SUMMARY

No	Case No	Claim (LKR)	Brief Description
1	WP/HCCA/COL/101/19(F)	3,000,000/-	Action filed against the Company for repossessing the leased vehicle. The appeal is pending in the High Court of Civil Appeals.
2	SC/HCCA/LA/NO139/2020	45,150,000/-	There has been a testamentary case involving the Public Trustee and notices have been sent claiming on 59 fixed deposits certificates owned by the deceased. The Company provided information as to how the deposits have been refunded to the nominees and joint holders which was not accepted by the District and Court High Court of Civil Appeals and a leave to appeal application is now pending in the Supreme Court.
3	DSP 0266/12	17,565,000/-	A customer has filed action against the Company for breach of an agreement to sell and the Company by way of a claim in reconvention has sought a declaration of title and ejectment of the Plaintiff.
4	SC/CHC/APPEAL/54/2019	9,000,000/-	Action filed by the Plaintiff relating to the non-completion of a house to agreed specifications by the Company. The Company has appealed to the Supreme Court.
5	HCCA/KAL/137/13/F	12,000,000/-	The Plaintiff filed action against the Company claiming that he is entitled to an undivided share of the land. The title of the property is subject to title insurance and the insurer is handling the case. The case was dismissed in the District Court and an appeal is pending in the High Court of Civil Appeals.
6	DLM 000148/2017		The Plaintiff has filed an action against the person who was acting on her behalf in Sri Lanka. The Company was made a party to the case but no substantive relief has been sought against the Company.




No	Case No	Claim (LKR)	Brief Description
7	CHC 503/15MR	12,772,500/-	Case has been filed by a depositor of Finance & Guarantee Company Limited ("F&G") claiming the balance deposit amount of Rs. 3.9 Million together with interest. The Company has settled the said FD as per the CBSL approved settlement plan where a portion of the deposit value was paid off, and the balance was converted to Non-Voting Shares of the Company on which the Voting Rights were subsequently conferred. (more fully described under Section 9.1).
8	CHC/533/15 MR	6,570,810.32/-	Case has been filed by a depositor of F&G claiming the balance deposit amount of Rs.4.08 Million together with interest. The Company has settled the said FD as per the CBSL approved settlement plan where a portion of the deposit value was paid off, and the balance was converted to Non-Voting Shares of the Company on which the Voting Rights were subsequently conferred. (more fully described under Section 9.1).
9	CHC 535/15 MR	3,825,085/-	Case has been filed by a depositor of F&G claiming the balance deposit amount of Rs.2.1 Million together with interest. The Company has settled the said FD as per the CBSL approved settlement plan where a portion of the deposit value was paid off, and the balance was converted to Non-Voting Shares of the Company on which the Voting Rights were subsequently conferred. (more fully described under Section 9.1).
10	CHC 536/15MR	12,962,500/-	Case has been filed by a depositor of F&G claiming the balance deposit amount of 5 FDs together with interest. The Company has settled the said FD as per the CBSL approved settlement plan



No	Case No	Claim (LKR)	Brief Description
			where a portion of the deposit value was paid off, and the balance was converted to Non-Voting Shares of the Company on which the Voting Rights were subsequently conferred. (more fully described under Section 9.1).
11	DMR 925/14	3,000,000/-	Case filed by a customer on the basis that the Company has sold him a vehicle which was subject to a bond issued by Magistrate Court –Matale.
12	DMR 1615/17	10,967,053.40/-	Case has been filed by the Plaintiff claiming that the Company has wrongfully transferred a lot which was subject to a Sale and Purchase Agreement with the Plaintiff, to another party.
13	DMR 830/20		This relates to the re-possession of a vehicle and a claim by a third party seeking to obtain a transfer of the vehicle which was in her custody.
14	DSP 122/2020	6,500,000/-	The Plaintiff has instituted action for re-possession of a leased vehicle.
15	1547/L	N/A	The Plaintiff filed action with regard to the sale of certain blocks of land and a purported agreement between the Plaintiff and a third party. The Plaintiff has sought an order for the possession of property.
16	1558/20 L	3,000,000/-	The Plaintiff filed action with regard to the sale of certain blocks of land and a purported agreement between the Plaintiff and a third party. The Plaintiff has sought an order for the possession of property and also damages from the Company for the loss suffered.
17	21096/MR	2,500,000/-	This relates to a claim by the Plaintiff for injuries suffered during the course of an accident and the Company being the absolute owner of the insured vehicle.



No	Case No	Claim (LKR)	Brief Description
18	DSP 01/2022	N/A	This relates to a finance lease facility which is in default. The leased vehicle has also been pledged for another facility granted to a third party which is also in default. The Plaintiff is seeking to deposit the defaulted amount on the lease facility and prevent the Company from re-possessing the vehicle.
19	1966-M	20,000,000/-	The Plaintiff has obtained a lease facility which is in default and has filed action claiming that the vehicle was illegally re-possessed and that it caused him mental and economic damage.
20	8164/L	N/A	<p>The case has been filed by the Plaintiff against a third party seeking a declaration of title for a block of land which had been transferred by UBF to Plaintiff.</p> <p>UBF has been made a party to the case after serving the Notice to Warrant and defend the title of the property.</p>
21	SPL 3579/17	N/A	This case relates to the completion of the construction of common facilities of the project and preventing of any transfer of the lots which had been identified for common facilities.
22	SC/App/26/2014	616,650/-	This action has been instituted by an employee on the wrongful reduction of salary. The Company has filed a leave to appeal application at the Supreme Court.
23	CE/D6/04/61/2016	1,950,000/-	This relates to a case with regard to the non-payment of gratuity and an order has been given against the Company.
24	CLE/COM/67/2022/16	7,101,250/-	This relates to a case with regard to the non-payment of gratuity. Amount that has to be paid has not been notified by the Labour Commissioner.



No	Case No	Claim (LKR)	Brief Description
25	SC/HCCA/LA/281/2021	N/A	<p>The Company purchased a land in Ratnapura for a mixed development project. Land reform commission had taken over the possession claiming ownership of the land. The Company filed possessory action against land reform commission for eviction from the land. The plaint was dismissed. The Company appealed to the High Court of Civil Appeals and judgement was delivered in favor of the Company. The Land Reform Commission has filed a leave to appeal application at the Supreme Court.</p> <p>The Company has also filed an action against the seller.</p> <p>The said property is carried in our books at LKR 29 Mn after provision.</p>
26	DMR 3085/2022	20,000,000/-	A customer of a lease facility has filed this case challenging the repossession and sale of the vehicle. Facility has been settled in 2018 from the sale proceeds of the vehicle.