

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of L B Finance PLC have pleasure in presenting to the shareholders the Annual Report of the Board of Directors on the affairs of the Company together with the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31st March 2023 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

This Report includes the information as required by the Companies Act No. 07 of 2007, Finance Business Act (Corporate Governance) Direction No. 05 of 2021 read together with Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Recommended Best Practices on Corporate Governance.

## GENERAL

L B Finance PLC (the Company) is a Licensed Finance Company in terms of the Finance Business Act No.42 of 2011.

It was incorporated under the Companies Ordinance No. 51 of 1938 as a private limited liability company on 30th May 1971, converted to a public limited liability company on 29th September 1982 and was admitted to the Official List of the Colombo Stock Exchange on 30th December 1997. The Company was re-registered as per the Companies Act No. 07 of 2007 on 6th June 2008 under Company Registration No. PQ 156.

The Company is a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The Ordinary Shares issued by the Company are listed on the Main Board of Colombo Stock Exchange.

The Company has been affirmed a national long-term rating at A-(Ika) Rating Watch Negative (RWN) by Fitch Ratings Lanka Limited.

Both the registered office of the Company and its head office are situated at No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07.

As per the requirements set out in Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report for the year under review.

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Level of compliance by the Company
The nature of the business of the Company	Section 168 (1) (a)	Page 227
Signed Group Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Page 257 to 367
Auditor's Report on Group Financial Statements of the Company	Section 168 (1) (c)	Page 253 to 255
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 267
Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	Page 229
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 359
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 232
Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	Page 229
Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period as a separate disclosure	Section 168 (1) (i)	Page 279
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 232
Annual Report of the Board of Directors on the affairs of the Company to be signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Page 233
Information as per Section 168 (i)(b) to (j) in relation to the subsidiaries	Section 168 (2)	Pages 229, 232 and 264

The declarations as per section 16.1 (viii) of Finance Business Act (Corporate Governance) Direction No. 05 of 2021 are included in the sections on Principal Activities (Page 227), Related Party Transactions (Page 231), Equitable Treatment (Page 233), Going Concern (Page 283) and Directors Statement on Internal Controls (Page 228).

## VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission and values are given on page 9 of this Report.

## PRINCIPAL ACTIVITIES

The Company's principal activities during the year were savings/deposit mobilisation, lending activities including finance lease/ vehicle loan facilities, gold loans, mortgage loans, personal loans and other credit facilities, value added services and digital financial services.

The Company's subsidiaries, LB Microfinance Myanmar Company Limited, carried on micro finance business in Myanmar and Multi Finance PLC carried on business as a Licensed Finance Company.

The Company has an interest in the leisure sector through its investment in The Fortress Resorts PLC.

There were no significant changes in the nature of the principal activities of the Company during the year under review. The Directors do hereby declare that to the best

of their knowledge, the Company has not engaged in any activity, which contravenes laws and regulations.

## REVIEW OF OPERATIONS

A review of the business of the Company and its subsidiaries and their performance during the year with comments on financial results, future strategies and prospects are contained in the Managing Director's Review on pages 66 to 69 which forms an integral part of this Report.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message on page 52, Managing Director's Review on page 66 and the Management Discussion and Analysis on page 70.

### FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiaries have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 31 May 2023.

The Consolidated Financial Statements of the Company and its subsidiaries duly signed by the Chief Financial Officer and two Directors on behalf of the Board which are attached hereto form an integral part of the Annual Report.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Section 150(1), 151, 152(1) and 153(1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company is responsible for the preparation of the Financial Statements of the Group and the Company which reflect a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the profit or loss or income and expenditure of the Company and its subsidiaries for the accounting period ending as at the reporting date.

The Directors confirm that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 257 to 367 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, Companies Act No. 07 of 2007, directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibilities for Financial Reporting is given on page 252

and forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

### DIRECTORS' STATEMENTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No. 05 of 2021.

The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on page 250.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting as referred to in page 249.

### AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and the Group is given on page 253.

### ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

Details of appropriation of profit of the Company are given below:

	2023	2022
	Rs. '000	Rs. '000
Profit for the year after payment of all the expenses of management, provision for depreciation and amortisation, impairment of loans and other losses, gold loan auction losses and tax on financial services.	11,746,552	11,910,462
Less: Income tax expense	3,286,221	3,248,604
Profit after tax	8,460,331	8,661,858
Unappropriated balance brought forward from previous year	21,849,942	19,754,900
Actuarial gains/(losses) on defined benefit plans	5,217	65,362
Profit available for appropriation	30,315,550	28,482,120
Less: Appropriations		
Dividend paid for previous financial year	1,108,114	2,216,229
Interim dividend payable/paid for current financial year	-	1,662,171
Transfers during the year	423,027	433,568
Total appropriation	1,531,141	4,311,968
Unappropriated balance carried forward	28,784,409	24,170,152
Proposed final dividend	Rs.3/- per share	Rs.2/- per share

### RESERVES

The reserves of the Company and the Group with the movements during the year are given in Note 4.36 to the Financial Statements on page 338.

The accounting policies adopted in the preparation of the Financial Statements are given on pages 257 to 367 There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

### INCOME

The income of the Company for the year ended 31st March 2023 was Rs. 42,756 million (in the year 2021/22 it was Rs. 30,159 million)

Group Income during the year under review was Rs. 43,133 million (2021/22 - Rs. 30,157 million)

An analysis of the Income is given in Note 4.1.1 to the Financial Statements.

### FINANCIAL RESULTS AND APPROPRIATIONS

The profit before tax and net profit after tax decreased by 1% and 2% respectively in the year under review in comparison to those of the preceding year.

The total comprehensive income too decreased by 3% compared to the preceding year

### TAXATION

The Income Tax rate applicable to the Company's operations is 30% w.e.f 1 October 2022 (24% in 2021/22)

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2021/22- 18%) and Social Security Contribution Levy (SSCL) on Financial Services at 2.5% w.e.f 1 October 2022.

## THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31st March 2023 consisted of 10 Directors with a balance of skills, wide knowledge and experience in entrepreneurship, banking, finance, audit and assurance, legal and marketing which is appropriate for the business carried out by the Company.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 55 to 61.

### Executive Directors

Mr. J A S S Adhietty  
- Managing Director

Mr. Niroshan Udage  
- Deputy Managing Director

Mr. B D A Perera

Mr. R S Yatawara

### Non-Executive Directors

Mr. G A R D Prasanna  
- Chairman

Mr. M A J W Jayasekara\*  
- Senior Independent Director

Mrs. Yogadinusha Bhaskaran

Mrs. Ashwini Natesan\*

Mr. Dharmadasa Rangalle

Ms Yanika Amarasekera\*

\*Independent Directors

### Appointments during the year

There were no appointments during the year.

### Resignations/Cessations during the year

Mr K. D. D. Perera, Executive Deputy Chairman resigned with effect from 10th June 2022. The requisite Regulatory approval was received for the said resignation.

### Extension of Office of the Managing Director

Regulatory approval was received under the Finance Business Act, Directions No.05 of 2021 for Mr J A S S Adhietty to continue in office for a period of one (01) year after attaining the age of seventy two (72) years on 4th July 2022.

### Retirement by rotation, re-election and re-appointment of Directors / Annual Assessment of continuing Directors

The names of the Directors who are

- (i) subject to retirement by rotation in terms of Articles 85 and 86 of the Articles of Association, and;
- (ii) proposed for re-appointment in terms of Section 211 of the Companies Act, and the applicable provisions thereto,
- (iii) subject to annual assessment of their fitness and propriety to continue as Directors in terms of Finance Business Act Directions No.06 of 2021,

are set out in the Table appearing on the next page.

The Nomination Committee and the Board of Directors have recommended the re-election/re-appointment / continuation of the said Directors, subject to the relevant Regulatory approval/s in terms of the applicable Directions issued under the Finance Business Act.

### Directors of the Subsidiaries

L B Microfinance Myanmar Company Limited as at 31st March 2023:

Mr. J A S S Adhietty

Mr. Niroshan Udage

Mr. B D A Perera

Mr. R S Yatawara

### Changes during the year

Mr K D D Perera, who served as a Director of the said subsidiary resigned w.e.f. 10th June 2022.

### Multi Finance PLC as at 31st March 2023:

Mr. G A R D Prasanna

Mr. R S Yatawara

Mr. J A S S Adhietty

Mr. Niroshan Udage

Mr. B D A Perera

Mrs. Yogadinusha Bhaskaran

Mr. Dharmadasa Rangalle

### Changes during the year

Appointments : Mr. G A R D Prasanna, Mr M A J W Jayasekara, Mr. R S Yatawara, Mr Niroshan Udage, Mr B D A Perera, Mr Dharmadasa Rangalle, Mrs Ashwini Natesan and Ms Yanika Amarasekera were appointed w.e.f. 18th May 2022, Mrs Yogadinusha Bhaskaran on 21st July 2022 and Mr J A S S Adhietty on 21st September 2022 respectively.

Resignations : Mrs. C J Atapattu (w.e.f. 27th April 2022), Mr. J P Polwatte (w.e.f. 31st May 2022), Mr. L I Ratnasabapathy (w.e.f. 30th May 2022)

Mr. D T De Alwis and Mr. H F I S Fonseka (w.e.f. 30th May 2022), Mr. Pushpika Jayasundera (w.e.f. 01st June 2022), Mr. M A J W Jayasekara Ms. Ashwini Natesan and Ms. Yanika Amarasekera (w.e.f. 29th March 2023)

### Directors' interests register and Directors' interests in contracts or proposed contracts

The Company maintains the Directors' Interests Register in terms of the Companies Act No. 07 of 2007.

Directors of the Company have made necessary declarations of their interests in Contracts and proposed Contracts in terms of Section 192 (1) and 192 (2) of the Companies Act. These interests are entered in the Interests Register which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

The particulars of the Directors Interests in Contracts with the Company are given in Note 6.1 to the Financial Statements on pages 359 to 362 and form an integral part of this Annual Report.

The remuneration paid to the Directors during the year under review is entered in the Interests Register and the aggregate of such remuneration is disclosed in this Annual Report under 'Directors' Remuneration' on page 231.

The relevant interests of Directors in the Shares of the Company as at 31st March 2023 as recorded in the Interests Register are given in this Report under Directors' shareholding on page 231.

In accordance with the Myanmar Companies Law, Directors of the Myanmar subsidiary have disclosed their interests in shares and securities in the said subsidiary and also their interests in contracts and other arrangements with the said company.

The Directors of Multi Finance PLC too have disclosed their interests in Shares of the said subsidiary together with their interests in contracts and arrangements with the said subsidiary.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Directors' Declarations in terms of Section 16.1 of the Finance Business Act Directions No. 05 of 2021, Corporate Governance

The Chairman and the Directors of the Company have made declarations as per the requirements in the above Directions, that there is no financial, business, family or other material/relevant relationship(s) between the Chairman and the Managing Director and/or amongst the members of the Board.

Name of Director	Applicable Article of the Articles of Association/Section of the Companies Act/ Finance Business Act Directions	Other information
Mr. Ashane Jayasekara	Articles 85 and 86/ Finance Business Act (FBA) Directions No. 06 of 2021	<p>According to Articles 85 and 86, the Directors to retire by rotation at the Annual General Meeting are those who (being subject to retirement by rotation) have been longest in office since their last election or appointment. If one-third (1/3rd) of the Directors eligible for retirement by rotation is not a multiple of three (03), the number nearest to (but not greater than) one-third (1/3rd) shall retire from office. As per the Articles, in calculating the said number, a Director appointed to the office of Chairman and Executive Directors are excluded.</p> <p>As such, the number of Directors subject to retirement by rotation being five (05), one (01) Director should retire by rotation.</p> <p>Accordingly, Mr. Ashane Jayasekara who has been longest in office, since his last re-election retires and offers himself for re-election at the forthcoming Annual General Meeting.</p> <p>The Company has applied to the Director – Department of Supervision of Non Bank Financial Institutions of the Central Bank of Sri Lanka, for the requisite regulatory approval in terms of Finance Business Act Directions No. 06 of 2021, with respect to the said re-election.</p> <p>A resolution will be placed before the shareholders at the forthcoming Annual General Meeting for the re-election of the said Director which will be effective, upon the receipt of requisite regulatory approval as aforesaid.</p>
Mr. J A S S Adhihetty	Section 211 of the Companies Act/FBA Directions No. 05 of 2021 and 06 of 2021	<p>Mr. J A S S Adhihetty, Managing Director of the Company, attained the age of 72 years on 4th July 2022. The Board at its meeting held on 19th April, 2023, having considered the Finance Business Act Directions No.05 of 2021 and the approval granted by the Monetary Board on 29th June 2022, for a period of one (01) year from 4th July 2023, resolved to seek the prior approval of the Monetary Board for a further extension.</p> <p>In terms of Section 210 of the Companies Act, Mr. Adhihetty vacates office at the conclusion of the next Annual General Meeting. In line with the Board's decision to seek an extension of time period for Mr. Adhihetty in terms of the aforesaid Directions No. 05 of 2021 and 06 of 2021 and the Company's application for the requisite regulatory approval thereunder, the Board further resolved to place a resolution before the shareholders at the forthcoming Annual General Meeting in terms of Section 211 of the Companies Act seeking the approval of the shareholders for the re-appointment of Mr. Adhihetty specially declaring that the age limit referred to in Section 210 of the Companies Act shall not apply to Mr. Adhihetty, which will be effective only if the Company receives the requisite regulatory approval in terms of the said Directions.</p>
Mr G A R D Prasanna Mr. N Udage Mr. B D A Perera Mr. R S Yatawara Mrs. Yogadinusha Bhaskaran Mrs. Ashwini Natesan Mr. Dharmadasa Rangalle Ms Yanika Amarasekera	FBA Directions No.06 of 2021	<p>In terms of Section 3.3 of the said Directions, the fitness and propriety of continuing Board of Directors is subject to annual assessment by the Director, Department of Supervision of the Non-Bank Financial Institutions of the Central Bank of Sri Lanka.</p> <p>The Company has applied to the Director – Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, for the requisite regulatory approval in terms of the said Directions and the continuation of the office of the said Directors is subject to receiving the requisite Regulatory approval.</p>

## RELATED PARTY TRANSACTIONS WITH THE COMPANY

The Directors have also disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24 and have abstained from voting on matters in which they were interested.

With effect from 1st January 2016, all proposed non-recurrent related party transactions have been placed before the Related Party Transactions Review Committee formed under the Listing Rules of the Colombo Stock Exchange, for its review and recommendations.

The aggregate value of transactions of related parties (as defined in LKAS 24 – ‘Related Parties Disclosure’) with the Company are set out in Note 6.1 to the Financial Statements on pages 359 to 362.

The Board confirms that the Company has not engaged in transactions with any related

party in a manner that would grant such party ‘more favourable treatment’ than that accorded to other similar constituents of the Company.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2023.

## DIRECTORS’ REMUNERATION

The remuneration of Directors of the Company and its subsidiaries is disclosed under key management personnel compensation in Note 6.1 to the Financial Statements on page 359.

The Directors shareholding and the relevant interests of Directors in the shares of the Company as at 31st March 2023 and 31st March 2022 are as follows;

## RELEVANT INTERESTS OF DIRECTORS’ IN SHARES

	Shareholding as at 31st March 2023	Shareholding as at 31st March 2022
Mr G A R D Prasanna	-	-
Mr. M A J W Jayasekara	-	-
Mr. J A S S Adhihetty	424,480	424,480
Mr. N Udage	2,161,235	1,616,540
Mr. B D A Perera	-	-
Mr. R S Yatawara	8,593	7,620
Mrs. Yogadinusha Bhaskaran	-	-
Mrs. Ashwini Natesan	-	-
Mr. Dharmadasa Rangalle	-	-
Ms Yanika Amarasekera	-	-

Vallibel One PLC, holds 286,729,600 shares constituting 51.75% of the shares representing the Stated Capital of the Company.

Vallibel One PLC is also the holding company of Royal Ceramics Lanka PLC which holds 144,492,928 shares constituting 26.08% of the shares representing the stated capital of the Company.

Mr. J A S S Adhihetty and Mrs. Yogadinusha Bhaskaran are Directors of Vallibel One PLC, where they serve as Non-Executive Director and Managing Director respectively.

## BOARD SUBCOMMITTEES

The Board of Directors of the Company has formed six (6) Committees in compliance with the Finance Business Act Directions No. 05 of 2021 and No. 01 of 2022 read together with Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended), Listing Rules of the Colombo Stock Exchange and as per the Recommended Best Practices on Corporate Governance.

They are the Audit Committee, Integrated Risk Management Committee, Remuneration Committee, Related Party Transactions Review Committee, Nomination Committee and the Information Security Committee.

The composition of the said Committees is as follows:

### Board Audit Committee

Mrs . Yogadinusha Bhaskaran - – Chairperson/Non-Executive Director  
Mr. M A J W Jayasekara - Independent Non-Executive Director  
Mrs. Ashwini Natesan - Independent Non-Executive Director

The Report of the Board Audit Committee appears on pages 236 to 238.

Board Integrated Risk Management Committee (BIRMC)

Mr. M A J W Jayasekara – Chairman/ Independent Non-Executive Director  
Mrs. Dinusha Bhaskaran - Non-Executive Director  
Mrs. Ashwini Natesan - Independent Non-Executive Director

The Report of the BIRMC appears on page 239 to 241.

### Board Human Resource and Remuneration committee

Mr. M A J W Jayasekara – Chairman/ Independent Non-Executive Director  
Mr. G A R D Prasanna - Non-Executive Director  
Ms . Yanika Amarasekera- Independent Non-Executive Director

The Report of the Board Human Resource and Remuneration Committee appears on page 234.

### Board Related Party Transactions Review Committee (RPTRC)

Mrs. Ashwini Natesan – Chairperson/ Independent Non-Executive Director  
Mr. M A J W Jayasekara - Independent - Non-Executive Director  
Mr. Dharmadasa Rangalle - Non-Executive Director

The Report of the RPTRC appears on pages 242 to 243.

### Board Nomination Committee

Mr. M A J W Jayasekera – Chairman – Independent Non Executive Director  
Mr. G A R D Prasanna – Non Independent Non Executive Director  
Mrs. Ashwini Natesan – Independent Non Executive Director

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Report of the Nomination Committee appears on page 235.

### Board Information Security Committee

The Board Information Security Committee was formed by the Board to further strengthen the information security and technology risk resilience process of the Company. The Committee will be operationalised from the first quarter of year 2023/24.

Mrs. Ashwini Natesan - Chairperson - Independent Non-Executive Director

Mr. M A J W Jayasekara - Independent Non-Executive Director

Mr. B D A Perera - Executive Director

### STATED CAPITAL AND DEBENTURES

The Stated Capital of the Company as at 31st March 2023 was Rs. 838,282,159/- represented by 554,057,136 ordinary shares. There were no changes in the Stated Capital of the Company during the year.

The debentures issued by the Company were redeemed on 11th December 2022.

### SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDINGS

#### Shareholders

There were 4,995 shareholders registered as at 31st March 2023 (5,127 shareholders as at 31st March 2022).

#### Distribution schedule of shareholders, major shareholders, public holding and ratios and market price information

Information as required by the Listing Rules on distribution of shareholding with the respective percentages, twenty largest shareholders, public holding and ratios and market price information are set out on pages 137, 138 and 139 under Financial Review.

During the year under review, there were no changes in the credit rating for the Company and/or the Debentures issued by the Company.

### DIVIDENDS

The Company paid a dividend of Rs. 2/- per Ordinary Share for the year under review out of the profits of the Company.

The Directors have recommended a final dividend of Rs.3/- per share for the year under review on the shares in issue of 554,057,136 to be approved by the

shareholders at the forthcoming Annual General Meeting.

As required by Section 56 of the Companies Act, the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Companies Act and subsequent to such declaration, the Directors have obtained the Auditors certificate of solvency thereon.

In compliance with Guideline on declaration of dividends and repatriation of profits dated 31st January 2023 issued under the Finance Business Act, the Company has obtained the approval from the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the proposed final dividend.

The said Final Dividend will, subject to approval by the shareholders, be payable on 11 July 2023 (to those shareholders who have provided accurate dividend disposal instructions, by way of direct credit to their respective Bank Accounts, through SLIPS) and on 24 July, 2023 (to those shareholders whose payments are to be made by way of cheques).

#### Property plant & equipment and significant changes in the Company's and its subsidiaries fixed assets/market value of land

The details of Property, Plant and Equipment are given in Notes 4.24 of the Financial Statements.

The land and buildings owned by the Company are recorded at cost and details of those properties and their market values as at 31st March 2023 as per valuations conducted by H V Manjula Basnayake an Independent Valuer are set out in Note 4.24.9 to the Financial Statements on pages 322.

### HUMAN RESOURCES

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender race or religion.

As at 31st March 2023, the Company had 3,562 employees (3,806 employees as at 31st March 2022).

#### Material issues pertaining to employees and industrial relations pertaining to the Company

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

#### Employee share option schemes/ employee share purchase schemes

The Company has not implemented any Share Option/Share Purchase Schemes for its employees.

### DONATIONS

During the year under review the Company made donations to the value of Rs. 11.92 million.

The subsidiaries, L B Microfinance Myanmar Company Limited and Multi Finance PLC did not make any donations during the year under review.

### AUDITORS

Messrs Ernst & Young, Chartered Accountants served as the Independent Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

The Auditor of the subsidiary company, L B Microfinance Myanmar Company Ltd is DAW Mying Myint Toe Group, Certified Public Accountants and Financial Consultants.

The Auditors of the subsidiary company Multi Finance PLC is Messrs. KPMG, Chartered Accountants.

A total amount of Rs. 8,223,231/- is payable by the Company to the Auditors for the year under review comprising Rs. 4,283,097/- as Audit Fees, and Rs. 2,575,000/- as audit related fees and expenses and Rs. 1,365,135/- for non-audit services. The amounts payable to the Auditors of Multi Finance PLC for the year under review are Rs. 1,252,000/- as Audit Fees – Statutory and Rs. 336,744/- as Audit Fees – Group Audit [The Audit Fee of the Subsidiary in Myanmar – Rs. 561,240/-]

The Auditors of the Company have expressed their willingness to continue in office. The Audit Committee at a meeting held on 10 May 2023 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## RISK MANAGEMENT AND INTERNAL CONTROL

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Board Audit Committee and the Board Integrated Risk Management Committee. Specific steps taken by the Company to manage the Risks are detailed in the section on Risk Management on pages 340 to 358.

Directors' statement on Internal Controls over Financial Reporting is on pages 250.

## MATERIAL FORESEEABLE RISK FACTORS

Material Foreseeable Risk Factors as applicable to the business operations of the Company and subsidiaries are set out in Notes 5.1 to 5.6 to the Financial Statements.

## APPRAISAL OF BOARD PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with the Section 1.5 (d) of the Finance Business Act Directions No. 05 of 2021 by answering a self-assessment questionnaire. The responses are collated by the Company Secretary, which are submitted to the Board for discussion and further evaluated by the Board.

The Board also carried out an annual self-evaluation of its own performance and that of the Sub-Committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007, Finance Business Act Direction No. 05 of 2021, Listing Rules of the Colombo Stock Exchange and Best Practices on Corporate Governance.

Board and sub-committee evaluations for the year under review were discussed at the Board Meeting held in the month of May 2023 and those evaluations are maintained with the records of the Company.

## CORPORATE GOVERNANCE

The Board of Directors is responsible for the governance of the Company.

The Board has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all of Company's dealings and on making the best effort in achieving performance and quality profits. The Board has continuously refined the structure and

systems to ensure governance on the lines as defined, being aware all the time that it is accountable to the stakeholders and to the general public.

The Report on Corporate Governance on pages 210 to 226 describes the application of the Corporate Governance practices within the Company during the year under review.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Officer independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board, the Board Audit Committee and the Board Integrated Risk Management Committee.

## STATUTORY PAYMENTS

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for, except for certain assessments where appeals have been lodged.

## ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that is harmful or hazardous to the environment. Measures taken by the Company on environmental protection are given in the report on Natural Capital on page 192.

## OUTSTANDING LITIGATION

In the opinion of the Directors and Company's Lawyers, pending litigation by and against the Company will not have a material impact on the financial position of the Company or its future operations.

## CONTINGENT LIABILITIES

Except as disclosed in Note 6.5 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

## EVENTS AFTER THE REPORTING DATE

Except for matters disclosed in Note 6.9 to the Financial Statements, there are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements.

## EQUITABLE TREATMENT FOR STAKEHOLDERS

The Directors declare that the Company has made all endeavours to ensure fair treatment for all stakeholders including Shareholders and Depositors.

## GOING CONCERN

The Board of Directors has reviewed the Company's corporate/business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

## ANNUAL GENERAL MEETING

The Notice of the Fiftieth (50th) Annual General Meeting appears on page 444.

## ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

As required by section 168 (1) (k) of the Companies Act, this Report is signed on behalf of the Board of the Company by two Directors and the Secretaries of the Company in pursuance of the authority granted by the Board by a Resolution passed on 5 June 2023 having acknowledged the contents of this Annual Report.

Signed on behalf of the Board by

GARD Prasanna  
Chairman

Sumith Adhietty  
Managing Director

P W Corporate Secretarial (Pvt) Ltd  
Secretaries

5 June 2023