

නො. 168, නාවල පාර, නුගේගොඩ. දුරකථන: O112 17 62 62 ෆැක්ස්: O112 17 62 63 ้ ซ- ๗๏ี่d: info@hnbfinance.lk ๗๗๗: www.hnbfinance.lk

2021 මාර්තු 31 දිනෙන් අවසන් වර්ෂය සඳහා මූලූූූ පුකාශය. ශී ලංකා මහ බැංකුව නිකුත් කළ 2006 අංක 02 දරණ උපදෙස්වලට අනුකූලව පුසිද්ධ කරන ලදී.

ආදායම් පුකාශය

HNB FINANCE

මාර්තු 31 දිනෙන් අවසන් වසර සඳහා	2021	2020
	రా000	රු000
දළ ආදායම	7,167,025	8,291,664
පොලී ආදායම	6,478,389	8,105,612
පොලී වියදම	(3,521,400)	(3,719,331)
ශුද්ධ පොලී ආදායම	2,956,989	4,386,281
ගාස්තු සහ කොමිස් ආදායම	503,021	844,610
ගාස්තු සහ කොමිස් වියදම	(96,509)	(160,405)
ශුද්ධ ගාස්තු සහ කොමිස් ආදායම	406,512	684,205
ශුද්ධ පොලී, ගාස්තු සහ කොමිස් ආදායම	3,363,501	5,070,486
වෙනත් මෙහෙයුම් ආදායම	185,615	219,915
වෙළදපොළ වටිනාකමට අගය කිරීමේ ශුද්ධ ලාභ/ (අලාභ)	391	178
මුළු මෙහෙයුම් ආදායම	3,549,507	5,290,579
ණය සඳහා හානිකරණ අලාභ සහ අනෙකුත් අලාභ	(1,045,177)	(1,085,863)
ශුද්ධ මෙහෙයුම් ආදායම	2,504,330	4,204,716
සේවක පිරිවැය	(1,123,141)	(1,336,693)
වෙනත් වියදම්	(1,455,439)	(1,740,353)
මුළු මෙහෙයුම් වියදම්	(2,578,580)	(3,077,046)
මූලූෂ සේවා මත එකතු කල අගය මත බදු, ජාතිය ගොඩනැගීමේ බදු සහ ණය එකතු කර ගැනීමේ බදු වලට පෙර මෙහෙයුම් ලාභය	(74,250)	1,127,670
මුලප සේවා මත එකතු කල අගය මත බදු සහ ණය එකතු කර ගැනීමේ බදු	122,057	(442,188)
මුලුප සේවා මත ජාතිය ගොඩනැගීමේ බදු	-	(25,834)
මූලෘ සේවා මත එකතු කල අගය මත බදු, ජාතිය ගොඩනැගීමේ බදු සහ ණය එකතු කර ගැනීමේ බදු වලට පසු මෙහෙයුම් ලාභය	(196,307)	659,648
ආදායම් බදු වියදම	72,694	(239,133)
වර්ෂය සඳහා ලාභය/(අලාභය)	(123,613)	420,515
සාමානෂ කොටසක මුලික ඉපැයුම	(0.07)	0.24
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මුලූ තත්වය පිළිබඳ පුකාශය

මාර්තු 31 වන දිනට	2021	2020
	රු.`000	රු.'000

වත්කම්		
මුදල් සහ මුදල් සමානයන්	645,636	1,502,773
ලාභ හෝ අලාභ හරහා සාධාරණ වටිනාකමකට අගය කරන ලද මූලස වත්කම්	16,704	16,193
කුමකෂය පිරිවැය යටතේ මූලෘ වත්කම් - ගනුදෙනකරුවන්	18,075,473	17,775,566
කුමසෂය පිරිවැය යටතේ මූලෘ වත්කම් - ලැබිය යුතු කල්බදු වාරික	10,296,416	9,942,882
කුමසෂය පිරිවැය යටතේ මූලෘ වත්කම් - අනෙකුත් ණය හා අත්තිකාරම්	405,765	584,123
වෙනත් විස්තීරණ ආදායම් හරහා සාධාරණ වටිනාකමට අගය කල මූලෘ වත්කම්	2,656	12,430
කුමකෂය පිරිවැය යටතේ මූලෘ වත්කම් - ණය හා වෙනත් උපකරණ	3,482,765	4,231,143
අනෙකුත් වත්කම්	460,829	421,097
ආයෝජන දේපල	1,105,000	1,105,000
අස්පෘශා වත්කම්	254,264	298,713
දේපල පිරියත සහ උපකරණ	1,590,029	1,625,569
භාවිත වත්කම් හිමිකම්	257,471	286,728
විලම්භීත බදු වත්කම්	153,988	184,776
මුළු වත්කම්	36,746,995	37,986,993

වෙනත් විස්තීර්ණ ආදායම් පුකාශය

මාර්තු 31 දිනෙන් අවසන් වසර සඳහා	2021 67.'000	2020 රු.'000
වර්ෂය සඳහා ලාභය/(අලාභය)	(123,613)	420,515
වර්ෂය සඳහා මුළු වෙනත් විස්තීර්ණ ආදායම්, බදු අඩු කල පසු		
ඉදිරි වර්ෂ වලදී, ලාභයට හෝ අලාභයට නැවත ඇතුලත් කරන වර්ෂය සඳහා වෙනත් විස්තීර්ණ ආදායම		
ඉදිරි වර්ෂ වලදී, ලාභයට හෝ අලාභයට නැවත ඇතුලත් නොකරන වර්ෂය සඳහා වෙනත් ව්ස්තීර්ණ ආදායම		
ව්ශුාමික පුතිලාභ සැලසුම මත ආයු ගණන ලාභ/(අලාභ)	25,720	(7,507)
විශුාමික පුතිලාභ සැලසුම ආයු ගණන ලාභ මත විලම්හීත බදු (අයකිරීම)/බැර කිරීම	(6,173)	2,102
ඉඩම් හා ගොඩනැගිලි මත පුතකාගණන සංචිතය	-	-
ඉඩම් හා ගොඩනැගිලි පුතුකගණන ලාභ මත විලුම්තීත බදු (අයකිරීම)/බැර කිරීම	-	-
පහත වැටෙන වෙළඳපල තක්සේරුව සඳහා පූතිපාදන	(9,774)	
වර්ෂය සඳහා මුළු වෙනත් විස්තීර්ණ ආදායම, බදු අඩු කල පසු	9,773	(5,405)
වර්ෂය සඳහා මුළු විස්තීර්ණ ආදායම	(113,841)	415,110

පුධාන කාර්ය සාධන දර්ශක

	2021 මාර්තු 31 දිනට		2020 මාර්තු 31 දිනට	
	අවශය	තථෘ	අවශන	තථ
නියාමන පුාග්ධන පුමාණාත්මකතාවය (%)				
1 වන ස්ථරයේ පුාග්ධන පුමාණාත්මකතා අනුපාතය (%)	6.50	9.91	6.50	10.16
මුළු පුාග්ධන පුමාණාත්මකතා අනුපාතය (%)	10.50	14.08	10.50	14.02
අරමුදල් පුාග්ධනයට තැන්පතු වගකීම් අනුපාතය	10.00	20.75	10.00	18.31
දුවශිලතාවය (%)				
පවතින දුවශිල වත්කම් වලට දුවශිල වත්කම් අවශෘතා අනුපාතය (අවම 100%)		225.36		178.65
දුවශිල වත්කම් වලට බාහිර අරමුදල් අනුපාතය		14.43		18.69
ණය කළඹේ ගූණාත්මකභාවය (%)				
දළ අඛ්ය ණය අනුපාතය (%)		17.68		16.41
ශුද්ධ අකිුය ණය අනුපාතය (%)		4.23		2.07
ශුද්ධ අකිුය ණයට මූලික පුාග්ධන අනුපාතය (%)		34.25		19.08
වෙන්කිරීමේ ආවරණ අනුපාතය (%)		65.75		80.92
ලාභදායීත්වය (%)				
ශුද්ධ පොලී ආන්තිකය		8.27		15.54
වත්කම් මත පුතිලාභය		(0.33)		1.86
හිමිකම් මත පුතිලාභය		(2.50)		8.69
ආදායම් මත පිරිවැය අනුපාතය		72.65		58.16
නාමික තොරතුරු				
ශාබා ගණන		70		69
බාහිර ණය ශෝණිය		А		AA-

VDAAC

KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. O. Box 186.

Colombo 00300, Sri Lanka

To the Shareholders of HNB Finance PLC

Report on the Audit of the Financial Statements Opinion

Opinion We have audited the financial statements of HNB Finance PLC ("the Company"), which comprise the statement of financial position as at 31st March 2021, and the statement of income, statement of profit or loss and other 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 set out on pages 6 to 90 in the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2021, and of its financial perform and its cash flows for the year then ended in accordance with Sri Lanka Accounting ince tandards

Basis for Opinion

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.

Emphasis of Matter - Restatement of comparative balances

We draw attention to Note 51 to the financial statements which indicates that the comparative balances presented as at and for the year ended 31st March 2020 have been restated and disclosed in these financial statements. Our opinion is not modified in respect of this matter.

Other Information Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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Assessing the availability and stability of key operating systems, taking into consideration the rapid development of businesses types and transaction volumes as well as IT projects that have an impact on the financial reporting process.

Assessing the management's evaluation of access right granted and removed to applicants relevant to financial accounting and reporting systems.

Testing preventative controls designed to enforce segregation of duties between users within particular systems.

Other Matter relating to comparative balances The financial statements of the Company as at and for the year ended 31st March 2020, excluding the retrospective adjustments described in Note 51 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 29th July 2020.

statements on 29th July 2020. As part of our audit of the financial statements as at and for the year ended 31st March 2021, we also audited the retrospective adjustments described in Note 51 to the financial statements that were applied to restate the comparative information. We were not engaged to audit, review, or apply any procedures to the comparative information. We were not engaged to audit, review, or apply any procedures to the comparative information. Note 51. Accordingly, we do not express an ophinon or any other form of assurance on comparative information. However, in our ophinon, the retrospective adjustments described in Note 51 to the financial statements are appropriate and have been properly applied.

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Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the

වගකිම්

මුළු වගකීම්	31,852,088	32,942,416
ව්ශුාමික පුතිලාභ වගකීම	280,858	260,518
අනෙතුක් වගකීම්	834,933	1,138,518
චීකතූ කල අගය මත බදු වගකීම	61,155	59,080
ආදායම් බදු වගකීම	(8,393)	133,467
තුමකෂය පිරිවැය යටතේ මූලෳ වගකීම් - නිකුත් කල ණය සහ අනෙකුත් ණය අරමුදල්	2,636,573	3,822,043
කුමඤෂය පිරිවැය යටතේ මූලූ වගකීම් - තැම්පත්කරුවන්ට	28,046,962	27,528,790
		07 500 70

කොටස් හිමියන්ගේ අරමුදල්

පුකාශිත පුාග්ධනය	223,545	223,545
පොදු සංචිතය	82,898	82,898
වෳවස්ථාපිත සංචිත අරමුදල	1,091,098	1,091,098
පුතතාගණන සංචිතය	600,739	591,714
රඳවාගත් ලාභ	2,896,626	3,055,321
	4,894,906	5,044,577
මුළු කොටස් හිම්යන්ගේ අරමුදල් සහ වගකීම්	36,746,995	37,986,993

පහත අත්සන් කර ඇති HNB ෆිනෑන්ස් පී එල් සී සමාගමේ කළමනාකාර අධෘක්ෂක / පුධාන විධායක නිළධාරී සහ පුධාන මෙහෙයුම් නිළධාරී වන අප,

අ) ඉහත කී පුකාශනයන් ශී ලංකා මහ බැංකුව විසින් නිර්දේශිත නිර්වචනයන්ට සහ ආකෘතින්ට අනුකූලව පිලියෙල කර ඇති බවත්,

ආ) ඉහත පුකාශනයන්හි අන්තර්ගත තොරතුරු HNB ෆිනෑන්ස් පී චල් සී සමාගමේ විගණනය කරන ලද මුලෘ පුකාශයන්ගෙන් උපුටා ගන්නා ලද බවත් මෙයින් සහතික කරමු.

අත්සන් කළේ: **බී.එම්.ඩී.සී. පුභාත්** කළමනාකාර අධෳක්ෂක / පුධාන විධායක නිළධාරී අත්සන් කළේ: **ඩබ්.එස්.පී. අරංගල** පුධාන මෙහෙයුම් නිළධාරී

ning our opinion thereon, and we do not provide a separate opinion on these matters. 1. Impairment Allowance for Loans, Advances and Lease Rentals Receivables

(Refer to note 3.2.7 of significant accounting policies and explanatory notes 18, 19, 23 and 50.5 to the financial statements).

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matter

Key Audit Matters

Risk Description As disclosed in Notes 18 and 19 to the financial statements, the Company has recorded impairment allowance of Rs. 2,767 Mn relating to loans and advances to customers and Rs. 849 Mn relating to lease rentals receivables as at 31st March 2021.

Hs. day will relating to lease remains receivables as at 31st watch 2021. The determination of provision for impairment allowances using the expected credit loss model is subject to a number of key parameters, key assumptions and judgments, including the identification of loss stages, probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICP).

Management judgement is involved in the selection of those parameters and the application of assumptions. Additionally, the COVID-19 pandemic has led the Company to use assumptions regarding the economic outlook becoming more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL.

Impairment allowance for loans and advances and lease rentals receivables was considered as a key audit matter due to the significance to the financial statements, management assumption, judgements and estimation uncertainty associated with the impairment allowance calculation.

Our audit procedures included;

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls related to the measurement of allowance for impairment.
- Evaluating the appropriateness of the accounting policies for ECL and underlying methodology applied based on the requirements of SLFRS 9 with our business understanding and industry practices.
- Evaluating the completeness of customers/facilities assessed individually based on the criteria set for the same and checking the accuracy of the provision for impairment for such identified individually significant exposures.
- Assessing the appropriateness of identified "risk elevated industries" by the management for the identification of SICR of the exposures due to the economic impact of COVID 19 Pandemic and independently calculating the stages of loans based on the set criteria for the collectively assessed exposures. Along with this, v reviewed the reasonableness of the Company's treatment for COVID-19 payment relief customers (moratorium/ debt concessions) in staging the exposure for the collective assessment.
- Assessing the appropriateness of key parameters and assumptions particularly related to the macroeconomic scenarios used in the expected credit loss model by considering the uncertainties pursuant to the COVID 19 outbreak.
- Evaluating the appropriateness and testing the mathematical accuracy of the estimation of allowance for impairment.
- Evaluating the completeness, accuracy and relevance of underlying data used for the calculation of impairment allowance on sample basis by agreeing to the source documents and IT systems.
- Assessing the adequacy and appropriateness of disclosures made in the financial statements with reference to the requirements of relevant accounting standards.

2. IT systems and controls over financial reporting

Risk Description

Risk Description The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. Automated accounting procedures and IT environment controls, which include IT governance, controls over programme development and changes, access to programmes and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.

System calculations including interest calculations and interfaces between business management systems and accounting systems are the significant areas which could result in the financial records being materially misstated.

We identified IT systems and controls over financial reporting as a key audit matter because the Company's financial accounting and reporting systems are fundamenta reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base.

We used our KPMG IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included

- Obtaining an understanding of an assessing the design, implementation and operating effectiveness of management key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting.
- Examing the framework of governance over the Company's IT organisation and the controls over programme development and changes, access to programmes and data and IT operations, including compensating controls where required.
- Evaluating the design, implementation and operating effectiveness of the significant
 accounts related IT process controls by assessing the operating effectiveness of
 IT application controls, assessing the operating effectiveness of ocrtain automated
 controls and system calculations which are relevant to the Company's compliance
 activities controis

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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

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 with SLAUSS will availy detect a material missiatement when it exists, missiatements carries from fraud or error and are considered material it, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related may reasona safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.



Chartered Accountants Colombo, Sri Lanka 29th June 2021

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara FCA	W.K.D.C Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Raiapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		

Principals - S.R.J. Perera FCMA(UK), LLB. Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K.Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS

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