

SMB FINANCE PLC

PUBLICATION OF FINANCIAL STATEMENTS IN TERMS OF SECTION 29 (5) OF FINANCE BUSINESS ACT NO.42 OF 2011.

Statement of Profit or Loss and Other Comprehensive Income

Rs. For the year ended December 31,	Company		Group	
	2023	2022	2023	2022
Continuing operations				
Interest income	775,505,794	483,655,939	775,505,794	483,655,939
Interest expenses	(308,880,252)	(134,737,070)	(308,880,252)	(134,737,070)
Net interest income	466,625,542	348,918,869	466,625,542	348,918,869
Fee and commission income	4,054,971	9,905,419	4,054,971	9,905,419
Net interest, fee and commission income	470,680,513	358,824,288	470,680,513	358,824,288
Other operating income (Net)	7,873,868	13,063,673	7,873,868	13,063,673
Changes in fair value of investment property	38,370,600	44,649,600	38,370,600	44,649,600
Total operating income	516,924,981	416,537,561	516,924,981	416,537,561
Allowance for expected credit loss - Charge	(89,062,346)	(163,659,095)	(89,062,346)	(163,659,095)
Net operating income	427,862,635	252,878,466	427,862,635	252,878,466
Personnel expenses	(111,474,529)	(76,812,014)	(111,474,529)	(76,812,014)
Other expenses	(101,009,315)	(68,965,862)	(101,009,315)	(68,965,862)
Impairment on held for sale assets	-	-	(6,786,534)	-
Operating profit before taxes on financial services	215,378,791	107,100,590	208,592,257	107,100,590
Taxes on financial services	(53,663,399)	(18,985,049)	(53,663,399)	(18,985,049)
Profit after taxes on financial services	161,715,392	88,115,541	154,928,858	88,115,541
Impairment provision for subsidiary company	-	(12,750,000)	-	-
Share of profit of associate company	39,922	743,655	39,922	743,655
Profit before income tax	161,755,314	76,109,196	154,968,780	88,859,196
Income tax (expense) / reversals	(41,853,966)	3,473,036	(41,853,966)	3,473,036
Profit from continuing operations	119,901,348	79,582,232	113,114,815	92,332,232
Discontinued operation				
Loss from discontinued operation, net of tax	-	-	(8,801,419)	(35,395,956)
Profit for the period	119,901,348	79,582,232	104,313,395	56,936,276
Profit attributable to :				
Owners of the Company	119,901,348	79,582,232	108,626,971	74,280,295
Non - controlling interest	-	-	(4,313,575)	(17,344,019)
Profit for the year	119,901,348	79,582,232	104,313,395	56,936,276
Basic earnings per share	0.01	0.01	0.01	0.01
Diluted earnings per share	-	-	-	-

Figures in brackets indicate deductions.

Statement of Profit or Loss and Other Comprehensive Income

Rs. For the year ended December 31,	Company		Group	
	2023	2022	2023	2022
Profit for the year	119,901,348	79,582,232	104,313,395	56,936,276
Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
Actuarial (loss) / gain on defined benefit plans	(1,174,999)	1,680,945	(1,174,999)	5,242,300
Equity investments at FVOCI - Net change in fair value	12,079,558	22,872,981	12,079,558	22,872,981
Net tax on other comprehensive income	-	-	-	(1,068,406)
Other comprehensive income for the year (Net of taxes)	10,904,559	24,553,926	10,904,559	27,046,875
Total comprehensive income for the year	130,805,907	104,136,158	115,217,954	83,983,151
Total comprehensive income attributable to:				
Owners of the Company	130,805,907	104,136,158	119,530,650	100,105,625
Non - controlling interest	-	-	(4,312,695)	(16,122,474)
Total comprehensive income for the year	130,805,907	104,136,158	115,217,954	83,983,151

Figures in brackets indicate deductions.

Statement of Financial Position

Rs. As at 31st December	Company		Group	
	2023	2022	2023	2022
Assets				
Cash and cash equivalents	90,670,044	55,302,042	90,670,044	55,494,870
Placements with banks	2,568,600,407	2,401,475,573	2,568,600,407	2,401,507,742
Financial assets at amortised cost				
- Loans and receivables to customers	1,471,314,074	1,855,368,149	1,471,314,074	1,855,368,149
Financial investments	116,358,309	104,249,453	116,358,309	114,789,453
Investments in associate	42,616,953	42,577,031	42,616,953	42,577,031
Investments in subsidiary	-	-	-	-
Assets held for sale	-	-	4,916,220	-
Investment properties	637,235,600	385,728,000	637,235,600	402,928,000
Property, plant & equipment	50,338,715	19,963,487	50,338,715	22,405,148
Right-of-use assets	34,156,018	16,070,409	34,156,018	16,070,405
Intangible assets	263,662,640	245,092,403	263,662,640	245,092,403
Deferred tax assets	-	-	-	1,202,705
Other assets	55,234,742	61,399,660	55,234,746	67,922,473
Total assets	5,330,187,502	5,187,226,207	5,335,103,726	5,225,358,379
Liabilities				
Due to financial institutions	1,504,597,528	1,568,220,236	1,504,597,528	1,568,507,907
Financial Liabilities at Amortised Cost				
- Deposits due to customers	42,736,120	-	42,736,120	-
Financial Liabilities at Amortised Cost				
- Due to other customers	131,298,785	126,786,485	131,298,785	126,786,485
Retirement benefit obligations	13,644,953	8,961,310	13,644,953	23,159,659
Lease liabilities	21,780,454	14,880,212	21,780,454	14,880,212
Other liabilities	129,371,295	112,425,504	131,792,065	118,982,132
Liabilities directly associated with assets held for sale	-	-	993,883	-
Total liabilities	1,843,429,135	1,831,273,747	1,846,843,788	1,852,316,395
Equity				
Stated capital	3,062,681,524	3,062,681,524	3,062,681,524	3,062,681,524
Statutory reserves	47,727,396	41,732,329	47,727,396	41,732,329
Fair value reserve	64,544,823	52,465,265	64,544,823	52,465,265
Retained earnings	311,804,624	199,073,342	309,114,578	207,657,674
Total equity attributable to equity holders of the Company	3,486,758,367	3,355,952,460	3,484,068,321	3,364,536,792
Non - controlling interests	-	-	4,191,617	8,505,192
Total equity	3,486,758,367	3,355,952,460	3,488,259,938	3,373,041,984
Total equity and liabilities	5,330,187,502	5,187,226,207	5,335,103,726	5,225,358,379

Figures in brackets indicate deductions.

It is certified that the financial statements have been prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd)
Menaka Silva
Head of Finance

(Sgd)
Supul Wijesinghe
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Approved and signed on behalf of the Board by,

(Sgd)
Shardha Sosa
Director

(Sgd)
Saadi Wadood
Director

Colombo - March 28, 2024

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF SMB FINANCE PLC
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMB Finance PLC (the Company), and the consolidated financial statements of the Company and its subsidiary ("the Group") which comprise the statement of financial position as at 31 December 2023, and the 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 material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as of December 31, 2023, and of their financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

01. Allowance for Expected credit losses of loans and receivables to customers

Refer to the accounting policies in the Financial Statements: Impairment of Loans and Receivables to Customers, "Note 5.3.3 and 20" to the Financial Statements: Significant Accounting Judgments and Estimates, "Note 3.2.2" to the Financial Statements.

Risk Description	Our Response
As disclosed in Note 20 to these financial statements, the Company has recorded financial assets at amortized cost against loans and receivables to customers amounting to Rs. 1,471,314,074/- as at 31 December 2023. High degree of complexity and judgment are involved in estimating ECL of Rs. 750,312,216/- against loans and receivables to customers as at the reporting date.	Our audit procedures included: <ul style="list-style-type: none"> Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain volatile macro-economic environment; Challenging the key assumptions in the ECL models, including staging PD and LGD and evaluating the reasonableness of Management's key judgments and estimates; Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; Testing IT System Controls which records loan days past due, and non performing loan classification. Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; Evaluating the completeness of customers/facilities assessed individually based on the criteria set for