



Key Financial Data for the Year Ended 31st March (Audited)		
In Rupees Million	Current Period	Previous Period
	From 01/04/2020 to 31/03/2021	From 01/04/2019 to 31/03/2020
Interest Income	7,173	7,212
Interest Expenses	(2,913)	(3,321)
Net Interest Income	4,260	3,891
Gains/(Losses) from Trading Activities	17	50
Other Income	340	237
Operating Expenses (Excluding Impairment)	(2,261)	(2,238)
Impairment	(752)	(1,112)
Profit / (Loss) Before Tax	1,604	828
Value Added Tax on Financial Services and Income Tax	(1,043)	(619)
Profit / (Loss) After Tax	561	209

Key Financial Data as at 31st March (Audited)		
In Rupees Million	As at 31/03/2021	As at 31/03/2020
Assets		
Cash and Bank Balance	587	987
Government Securities	1,578	1,901
Due from Related Parties	-	-
Lease and Loan Receivable (Excluding Related Parties)	26,614	26,244
Investments in Equity	204	138
Investment Properties and Real Estate	596	570
Property, Plant and Equipment	2,378	1,694
Other Assets	2,165	2,411
Total Assets	34,122	33,945
Liabilities		
Due to Banks	13,214	15,425
Due to Related Parties - Deposits	42	27
Deposits from Customers	12,877	12,321
Other Liabilities	2,173	1,559
Total Liabilities	28,306	29,332
Equity		
Stated Capital	614	614
Statutory Reserve Fund	904	876
Retained Earnings	2,296	1,778
Other Reserves	2,002	1,345
Total Equity	5,816	4,613
Total Equity and Liabilities	34,122	33,945
Net Assets Value Per Share (Rs)	173	137

Note: Amounts stated are in net of impairment and depreciation.

CERTIFICATION:

We, the undersigned, being the Deputy Chairman & Managing Director, the Executive Director Finance and Operations and the Compliance Officer of Alliance Finance Company PLC certify jointly that:

- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);
- (b) the information contained in these statements have been extracted from the audited financial statements of the Company.

R.K.E.P. de Silva
Deputy Chairman & Managing Director

Kusal Jayawardana
Executive Director Finance and Operations

Thamara Rathnayake
Compliance Officer

The first Company in the Banking and Non-banking sector of Sri Lanka to be certified with ISO 9001:2015 Quality Management system and ISO 22301:2012 for Business Continuity Management Systems.

ICRA Lanka assigns issuer rating of [SL]BBB-

Selected Key Performance Indicators				
Item	As at 31/03/2021		As at 31/03/2020	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	11.38%	6.50%	9.86%	6.50%
Total Capital Adequacy Ratio	14.00%	10.50%	12.97%	10.50%
Capital Funds to Deposit Liabilities Ratio	38.02%	10.00%	30.27%	10.00%
Quality of Loan Portfolio (%)				
Gross Non-Performing Loans Ratio	8.43%		11.10%	
Net-Non-Performing Loans Ratio	1.44%		4.50%	
Net-Non-Performing Loans to Core Capital Ratio	33.74%		57.12%	
Provision Coverage Ratio	84.13%		62.22%	
Profitability (%)				
Net Interest Margin (Net interest income as a percentage of average interest earning assets)	13.41%		12.67%	
Return on Assets (Profit before tax as a percentage of average assets)	3.81%		1.61%	
Return on Equity	24.85%		11.65%	
Cost to Income Ratio	48.99%		53.52%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	253%		261%	
Liquid Assets to External Funds	7.98%		12.44%	
Memorandum information				
Number of Branches and other centers	91		96	
External Credit Rating (ICRA LANKA)	(SL)BBB- (Negative)		(SL)BBB- (Negative)	

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALLIANCE FINANCE COMPANY PLC Report on the Audit of the Financial Statements



Opinion

We have audited the financial statements of Alliance Finance Company PLC (the "Company") and the Consolidated financial statements of the Company and its subsidiary (the "Group"), which comprise the Statements of financial position as at 31 March, 2021 and the Statements of profit or loss, Statements of other comprehensive income, Statements of changes in equity and Statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant 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 at 31 March, 2021 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 Auditors' 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, we have provided a description of how our audit procedures addressed the matter in that context.

Key audit matter	How our audit procedures addressed the key audit matter
Impairment charges for loans and advances, lease rental receivables hire purchase rental receivables	<p>We assessed whether the Company and the Group's impairment computations and underlying methodology align to the requirements of SLFRS 9 with consideration of COVID-19 impacts and related responses from industry, the regulator and CA Sri Lanka based on the best available information up to the date of our report. Our audit procedure was designed to obtain sufficient and appropriate audit evidence, included amongst others the following:</p> <ul style="list-style-type: none"> Evaluated design, implementation and operating effectiveness of controls over estimation of impairment of loans and receivables, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit management. We checked the completeness and accuracy of underlying data used in the computations. <p>In addition to above following procedure we performed:</p> <p>For individual impairment</p> <ul style="list-style-type: none"> We tested control over the timely identification of potentially impaired loans and receivables. We tested the sample of loans and receivables to ascertain whether the loss event (the point at which impairment is recognized) had been identified in a timely manner. We assessed the reasonableness of management's estimated future cash flows including the expected future recoveries, discount rate and the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries. <p>For collective impairment</p> <ul style="list-style-type: none"> Assess the completeness of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Company's sources of documents and information as well as re-performing the calculation of impairment allowance. Assess reasonableness of macro-economic and other factors used by management in their judgmental overlays. Assessing the reasonability of the basis for and data used by Management to determine overlays in consideration of the probable effects of the COVID -19 pandemic. <p>We assessed the adequacy of the related financial statement disclosures set out in notes 2.12.3, 4.5.7, 11, 23, 24 and 25.</p>

Other information

Directors are 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 Auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are 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 the Directors 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, the Directors are responsible for assessing the Group'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 the Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

The Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

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 SLAuS will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' 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 Auditors' report. However, future events or conditions may cause the Group 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 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 Auditors' 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 Auditors' report is 3337.

Edirisinghe & Co.,
Chartered Accountants
Colombo
13-May-2021