

STATEMENT OF PROFIT OR LOSS				
For the Year Ended 31 <sup>st</sup> March	Company		Group	
	2020 Rs. 000 (audited)	2019 Rs. 000 (audited)	2020 Rs. 000 (audited)	2019 Rs. 000 (audited)
<b>Gross Income</b>	7,679,218	7,243,598	7,738,764	7,324,060
Interest income	7,212,017	6,832,725	7,214,751	6,835,674
Interest expenses	(3,321,169)	(3,244,034)	(3,321,169)	(3,244,034)
<b>Net Interest Income</b>	<b>3,890,848</b>	<b>3,588,691</b>	<b>3,893,582</b>	<b>3,591,640</b>
Fee and commission income	180,003	180,053	236,811	257,538
Fee and commission expenses	(178,059)	(214,596)	(178,074)	(214,823)
<b>Net Fee and Commission Income</b>	<b>1,943</b>	<b>(34,543)</b>	<b>58,738</b>	<b>42,716</b>
Net gain / (loss) from trading	49,512	(4,062)	49,512	(4,062)
Other operating income (net)	237,685	234,882	237,690	234,910
<b>Total Operating Income</b>	<b>4,179,989</b>	<b>3,784,968</b>	<b>4,239,521</b>	<b>3,865,203</b>
Impairment (charges) / reversal for loans and other losses	(1,112,357)	(813,495)	(1,112,357)	(813,495)
<b>Net Operating Income</b>	<b>3,067,632</b>	<b>2,971,473</b>	<b>3,127,164</b>	<b>3,051,709</b>
<b>Operating Expenses</b>				
Personnel expenses	(821,723)	(780,351)	(831,087)	(802,969)
Other operating expenses	(1,283,645)	(1,224,682)	(1,290,135)	(1,244,382)
Depreciation and Amortization	(131,647)	(136,087)	(131,782)	(136,214)
Total operating expenses	(2,237,015)	(2,141,120)	(2,253,004)	(2,183,565)
<b>Operating Profit before Taxes on Financial Services</b>	<b>830,617</b>	<b>830,353</b>	<b>874,160</b>	<b>868,144</b>
Taxes on Financial Services	(296,141)	(221,191)	(296,141)	(221,191)
<b>Operating Profit after Taxes on Financial Services</b>	<b>534,476</b>	<b>609,162</b>	<b>578,019</b>	<b>646,953</b>
Share of profit / (loss) from associate	(2,842)	(8,894)	(2,842)	(8,894)
<b>Profit before Taxation from Operations</b>	<b>531,634</b>	<b>600,268</b>	<b>575,177</b>	<b>638,059</b>
Provision for income taxation	(323,000)	(294,097)	(334,797)	(304,370)
<b>Profit for the year</b>	<b>208,634</b>	<b>306,172</b>	<b>240,379</b>	<b>333,689</b>
<b>Profit attributable to :</b>				
Equity holders of the company	208,634	306,172	228,932	323,766
Non controlling interest	-	-	11,448	9,923
<b>Profit for the year</b>	<b>208,634</b>	<b>306,172</b>	<b>240,379</b>	<b>333,689</b>
Basic Earnings Per Share	6.19	9.09	6.79	9.61
Dividend Per Share	-	1.00	-	1.00

STATEMENT OF FINANCIAL POSITION				
As at 31 <sup>st</sup> March	Company		Group	
	2020 Rs. 000 (audited)	2019 Rs. 000 (audited)	2020 Rs. 000 (audited)	2019 Rs. 000 (audited)
<b>Assets</b>				
Cash and cash equivalents	986,554	281,585	1,027,325	290,720
Repurchase agreements	350,389	210,053	350,389	210,053
Placements with banks & financial institutions	915,617	732,164	915,617	732,164
Financial assets recognised through profit or loss	1,550,283	1,807,179	1,550,283	1,807,179
Loans and advances - at amortised cost	6,184,305	6,512,028	6,184,454	6,512,166
Lease rentals receivable & stock out on hire - at amortised cost	20,055,544	18,842,073	20,055,544	18,842,073
Hire purchase rentals receivable & stock out on hire - at amortised cost	4,528	12,349	4,528	12,349
Financial assets - fair value through other comprehensive income	137,940	579	137,940	579
Other trading stocks	207,388	402,218	207,388	402,218
Other financial assets	459,368	405,851	535,032	446,862
Other non financial assets	176,524	217,143	176,999	217,143
Investments in associates	45,627	48,469	94,434	84,732
Investments in subsidiaries	16,924	16,924	-	-
Investment property	549,000	549,000	549,000	549,000
Property, plant & equipment	1,694,021	1,746,403	1,694,142	1,746,660
Intangible assets	55,958	56,523	55,958	56,523
Right of Use Asset	259,040	-	259,040	-
Retirement benefit Assets	1,047	-	-	-
Deferred tax assets	295,240	291,123	295,790	291,668
<b>Total Assets</b>	<b>33,945,296</b>	<b>32,131,665</b>	<b>34,093,864</b>	<b>32,202,089</b>
<b>Liabilities</b>				
Due to banks	15,424,806	12,589,470	15,453,081	12,589,470
Due to depositors - at amortised cost	12,347,297	12,493,683	12,347,297	12,493,683
Debt instruments issued and other borrowed funds	-	819,063	-	819,063
Other financial liabilities	791,704	781,933	810,598	781,538
Other non financial liabilities	26,267	56,532	26,267	56,532
Derivative financial liabilities	59,836	99,771	59,836	99,771
Income tax liabilities	152,140	142,874	155,060	145,941
Retirement benefit liabilities	-	30,699	1,245	32,643
Deferred tax liabilities	530,275	607,384	530,284	607,459
<b>Total Liabilities</b>	<b>29,332,325</b>	<b>27,621,408</b>	<b>29,383,423</b>	<b>27,626,098</b>
<b>Shareholders' Funds</b>				
Stated capital	613,980	613,980	613,980	613,980
Retained earnings	1,777,742	1,655,299	1,833,954	1,691,223
Reserves	2,221,249	2,240,977	2,221,249	2,240,977
<b>Total Equity Attributable to equity holders of the company</b>	<b>4,612,971</b>	<b>4,510,257</b>	<b>4,669,183</b>	<b>4,546,180</b>
Non controlling interest	-	-	41,258	29,811
<b>Total Equity</b>	<b>4,612,971</b>	<b>4,510,257</b>	<b>4,710,441</b>	<b>4,575,991</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>33,945,296</b>	<b>32,131,665</b>	<b>34,093,864</b>	<b>32,202,089</b>
<b>Contingent Liabilities and Commitments</b>	<b>339,910</b>	<b>312,100</b>	<b>339,910</b>	<b>312,100</b>
Net Assets Value Per Share (Rs.)	137	134	139	135

STATEMENT OF COMPREHENSIVE INCOME				
For the Year Ended 31 <sup>st</sup> March	Company		Group	
	2020 Rs. 000 (audited)	2019 Rs. 000 (audited)	2020 Rs. 000 (audited)	2019 Rs. 000 (audited)
Profit for the year	208,634	306,172	240,379	333,689
Other Comprehensive Income not to be Reclassified to Profit or Loss				
Actuarial gains / (losses) on defined benefit plans	12,087	8,681	12,076	8,761
Deferred tax effect on above	(2,901)	(2,431)	(2,901)	(2,431)
Equity investments at FVOCI - net change in fair value	(61,455)	-	(60,455)	-
<b>Net Other Comprehensive Income not be Classified to Profit or Loss</b>	<b>(52,269)</b>	<b>6,251</b>	<b>(51,280)</b>	<b>6,330</b>
<b>Total Comprehensive Income for the year</b>	<b>156,364</b>	<b>312,422</b>	<b>189,100</b>	<b>340,019</b>
Attributable to:				
Equity holders of the company	156,364	312,422	177,295	330,068
Non controlling interest	-	-	11,804	9,951
<b>Total Comprehensive Income for the year</b>	<b>156,364</b>	<b>312,422</b>	<b>189,100</b>	<b>340,019</b>

SELECTED PERFORMANCE INDICATORS		
Item	31.03.2020	31.03.2019
<b>Regulatory Capital Adequacy</b>		
Core Capital (Tier 1 Capital) Rs.'000	3,427,321	3,121,021
Total Capital Base, Rs.'000	4,501,752	4,129,546
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 6.5%)	9.77	9.35
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement 10.5%)	12.84	12.37
Capital funds to Deposit Liabilities Ratio (Minimum Requirement 10%)	30.76%	29.42%
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Accommodation, Rs.'000	3,127,454	2,045,993
Gross Non-Performing Accommodation, Ratio, %	11.10%	7.69%
Net-Non Performing Accommodations Ratio, %	5.21%	3.71%
<b>Profitability (%)</b>		
Interest Margins	11.18%	11.20%
Return on Assets (before Tax)	1.61%	1.87%
Return on Equity (after Tax)	4.57%	6.79%
<b>Regulatory Liquidity (Rs. '000)</b>		
Required minimum amount of Liquid Assets	791,407	1,565,962
Available amount of Liquid Assets	2,803,207	2,341,802
Required minimum amount of Government Securities	726,836	1,196,161
Available amount of Government Securities	1,555,027	1,552,825
<b>Memorandum information</b>		
Number of employees	1296	1368
Number of branches	43	43
Number of service centers	37	37
Number of pawning centers	11	11
Other centers	9	9

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#### INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALLIANCE FINANCE COMPANY PLC

Report on the Audit of the Financial Statements

#### Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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.

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, 2020 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 (SLAuS). 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 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 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 determine 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 intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

#### Auditor's Responsibility 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 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.

#### Auditor's Responsibility for the Audit of the Financial Statements

As part of an audit in accordance with SLAuS, 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 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 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 are 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.

*Edirisinghe & Co.*  
Chartered Accountants  
Colombo  
29-June-2020