

ALLIANCE FINANCE COMPANY PLC

Key Financial Data for the Year Ended 31st March (Audited)			
	Current Period	Previous Period	
In Rupees Million	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:

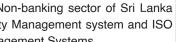
We, the undersigned, being the Deputy Chairman & Managing Director, the Executive Director Finance and Operations and the Compliance Officer of Alliance Finance Company PLC certify jointly that:

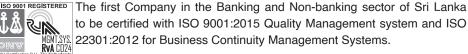
- (a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);
- (b) the information contained in these statements have been extracted from the audited financial statements of the Company.











ICRA Lanka assigns issuer rating of [SL]BBB-

Selected Key Performance Indicators				
As at 31/03/2021		As at 31/03/2020		
Actual	Required	Actual	Required	
11.38%	6.50%	9.86%	6.50%	
14.00%	10.50%	12.97%	10.50%	
38.02%	10.00%	30.27%	10.00%	
8.43%		11.10%		
1.44%		4.50%		
33.74%		57.	57.12%	
84.13%		62.22%		
13.41%		12.67%		
3.81%		1.6	1.61%	
24.5	24.85% 11.65%		65%	
48.99% 53.52		52%		
25	253% 261%		1%	
7.98% 12.44%		44%		
9) 1	9	6	
	As at 31, Actual 11.38% 14.00% 38.02% 8.4 1.4 33. 84. 13. 3.8 24. 48.	As at 31/03/2021 Actual Required 11.38% 6.50% 14.00% 10.50% 38.02% 10.00% 8.43% 1.44% 33.74% 84.13% 13.41% 3.81% 24.85% 48.99%	As at 31/03/2021 As at 31/03/2021 Actual Required Actual 11.38% 6.50% 9.86% 14.00% 10.50% 12.97% 38.02% 10.00% 30.27% 8.43% 11. 1.44% 4.5 33.74% 57. 84.13% 62.3 13.41% 12.4 3.81% 1.6 24.85% 11.4 48.99% 53.3	

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

External Credit Rating (ICRA LANKA)

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.

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 the Directors either intends to lic significance in our audit of the financial statements of the current period. These matters were realistic alternative but to do so. 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.

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

Key audit matter	How our audit procedures addressed the key audit matter		
	We assessed whether the Company and the Group's impairment computations and underlying methodology align to the requirements of SLFRS 9 with consideration		

The accounting policy relating to provisioning of impairment for loans and advances, lease rental receivables hire purchase rental receivables is described in note 4.5.7, the detail relating to impairment charges for the year ended 31 March 2021 is included in note 11 and details of provisions carried at 31 March 2021 are included in note 23, 24 and 25.

The assessment of impairment requires significant judgment by the Company and Group and may have a significant impact on the financial statements. Given the subjectivity and reliance on estimates and judgments inherent in the determination of the provision for impairment and historical issues in relation to classifying of loans as non-performing advances (NPAs) and insufficient provisioning, we determined this to be a matter of most significance to our audit.

Impairment allowances represent management's best estimate of the losses incurred within the loan portfolios at the reporting date. They are calculated on a collective basis for portfolios of loans of a similar nature (the collective impairment model) and on an individual basis for significant loans (individual impairment model). Both models used by the company

For the collective impairment model impairment is calculated on a modeled basis for portfolios of loans and advances. This is because loans and advances considered under this model comprise of large numbers of accounts with relatively small individual balances. The key assumptions and judgments made by the Company and judgments made by the Company underlie the calculation of impairment. Key assumptions and judgments include the calculation of the average loss percentage once a loan is identified as default.

of COVID-19 impacts and related response 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 ncluded amongst others the following.

Evaluated design, implementation and operating effectiveness of controls over estimation of impairment of loans and receivables. included assessing the level of oversight, review and approval of impairment policies by the Board Audit

We checked the completeness and accuracy of underlying data used in the

In additional to above following procedure

For individual impairment

we performed

- We tested control over the timely dentification 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 ecognized) had been identified in a timely
- We assessed the reasonableness of management's estimated future recoveries including the expected future cash flows discount rate and the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries.

 Evaluated the associated reasonability of the provisions made with particular focus on the impact of COVID-19 on high-risk industries, strategic responsive actions taken, collateral values, and the value and timing of recoveries.

For collective impairment

- 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 macroused by economic and other factors management in their judgmental overlays.
- Assessing the reasonability of the basis - 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.

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.

Other information

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(SL)BBB- (Negative)

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.

(SL)BBB- (Negative)

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 e 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the financia statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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

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

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

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.



Colombo 13- May -2021