

ABANS FINANCE PLC

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION

SELECTED KEY PERFORMANCE INDICATORS

Year ended 31 March	2022		2021		As at 31 March	2022		2021	
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Income	2,122,022,274	1,841,057,823			Assets				
Interest Income	1,932,052,226	1,686,328,068			Cash and Bank Balances	183,803,274	226,092,543		
Interest Expense	(547,034,438)	(654,608,735)			Placement with Banks	485,662,416	207,264,972		
Net Interest Income	1,385,017,788	1,031,719,333			Repurchase Agreements	255,049,144	942,235,676		
Fee and Commission Income	161,686,573	129,899,513			Loans and Advances	1,109,139,474	1,379,508,592		
Fee and Commission Expense	(21,674,477)	(22,341,043)			Lease Rentals Receivable & Stock out on Hire	6,999,758,895	6,027,133,949		
Net Fee and Commission Income	140,012,096	107,558,470			Financial Investments at Fair Value through P&L	291,202,975	-		
Net Gain/(Loss) from Trading	6,443,343	320,000			Equity Instruments at Fair Value through OCI	80,400	80,400		
Other Operating Income (net)	21,840,132	24,510,242			Debt Instruments at Amortized Cost	587,159,325	13,684,192		
Total Operating Income	1,553,313,359	1,164,108,045			Other Financial Assets	110,968,742	99,842,557		
Credit Loss Expense on Financial Assets and Other Losses	(130,500,395)	(108,266,753)			Real Estate Stock	32,066,726	31,066,726		
Net Operating Income	1,422,812,964	1,055,841,292			Other Non Financial Assets	57,812,919	49,289,851		
Operating Expenses					Property, Plant & Equipment	152,722,069	146,041,713		
Personnel Costs	(335,541,769)	(273,473,301)			Intangible Assets	27,950,766	33,866,422		
Depreciation & Amortization	(65,188,794)	(68,844,612)			Right-of-use Assets	175,125,283	62,490,872		
Other Operating Expenses	(282,140,919)	(190,643,922)			Deferred Tax Assets	-	9,815,140		
Operating Profit before Taxes on Financial Services	739,941,482	522,879,457			Total Assets	10,468,502,408	9,228,413,605		
Taxes on Financial Services	(124,703,277)	(95,713,451)			Liabilities				
Profit before Taxation from Operations	615,238,205	427,166,006			Due to Banks	138,597,100	380,234,236		
Income Tax Expenses	(184,929,414)	(139,975,056)			Due to Customers	4,448,008,287	4,918,802,137		
Profit for the Year	430,308,791	287,190,950			Other Borrowed Funds	2,552,107,092	1,210,632,535		
Other Comprehensive Income (OCI)					Other Financial Liabilities	644,871,381	535,607,003		
Items that will not be reclassified to profit or loss					Other Non Financial Liabilities	43,821,143	15,877,158		
Actuarial Gains/(Losses) on Defined Benefit Plan	2,380,293	(2,516,706)			Current Tax Liabilities	175,080,456	147,245,448		
Deferred Tax Effect of above	(571,270)	604,010			Deferred Tax Liabilities	13,298,360	-		
Items that will be reclassified to profit or loss					Retirement Benefit Liability	27,600,613	27,014,926		
Surplus from Revaluation of Property, Plant & Equipment	-	89,459,907			Total Liabilities	8,043,384,432	7,235,413,443		
Deferred Tax Effect of above	-	(19,056,000)			Shareholders' Funds				
Other Comprehensive Profit/(Loss) for the Year, Net of Tax	1,809,023	68,491,211			Statutory Capital	1,121,412,955	1,121,412,955		
Total Comprehensive Income for the Year	432,117,814	355,682,161			Statutory Reserve Fund	277,169,198	191,107,440		
					Revaluation Reserve	70,403,907	70,403,907		
					Retained Earnings	956,131,916	610,075,860		
					Total Shareholders' Funds	2,425,117,976	1,993,000,162		
Earnings Per Share : Basic / Diluted (Rs.)	6.46	4.31			Total Liabilities and Shareholders' Funds	10,468,502,408	9,228,413,605		

Capital Adequacy ratios	Indicates the ability of the financial institution to absorb losses without affecting depositors and creditors. This ratio is computed by dividing capital by risk weighted assets as specified by the Direction, and high ratio indicates better loss absorption capacity.
Non-Performing Loans ratio	Indicates level of non-paying loans and advances included in the total loans portfolio of the financial institution. High ratio indicates poor assets quality and high credit risk.
Provision Coverage ratio	Indicates the adequacy level of provision to cover problem loans and advances. A higher ratio with a higher capital adequacy ratio means that the financial institution can withstand future credit losses better, including unexpected losses beyond the loan loss provision.
Net Interest Margin	Indicates profitability of the core business operation of the financial institution. i.e. granting loans and advances and accepting deposits.
Cost to income ratio	Represents operating expense, excluding impairment charges on loans and advances as a percentage of net revenue (net interest income and other income). Lower ratio will result in higher profitability.
Liquid Assets	A liquid asset is an asset that can easily be converted into cash.
Cap	Maximum limit imposed by the CBSL.
Downsizing	Gradual reduction of the business operation imposed by the CBSL.
Freezing	An order of CBSL that is in place preventing further transactions of the Company.
Tier 1 Capital	Represents permanent shareholder equity and reserves.
Total Capital	Represents Tier 1 and supplementary capital including instruments with characteristics of equity and debt, revaluation gains, impairment allowances.
Risk Weighted Assets	Sum of on-balance sheet risk weighted assets and the total credit equivalent of risk weighted off-balance sheet assets.
Tier 1 Capital ratio	Tier 1 capital as a percentage of risk weighted assets.
Total Capital ratio	Total capital as a percentage of risk weighted assets.
Capital Funds	Paid up capital, permanent free reserves and any other securities approved by the CBSL.
Non-Performing Loan	A loan in which the borrower has defaulted and hasn't made scheduled payments of principal or and / interest as per the stipulated guidelines issued by CBSL.
Net Interest Margin	Annualised net interest income (interest income less interest expenses) as a percentage of interest earning assets (Based on average values).
Return on Assets	Annualised profit after tax as a percentage of total assets (Based on average values).
Return on Equity	Annualised profit after tax as a percentage of total capital (Based on average values).
External Funds	Includes only deposits and borrowings.

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgnd.)
B G P Samantha (Chief Financial Officer)

The Board of Directors is responsible for the Financial Statements. Signed for and on behalf of the Board by,

(Sgnd.)
K J C Perera (Director) R. Pestonjee (Director)

30-May-22, Colombo

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APAG/KMW/MHM		
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABANS FINANCE PLC		
Report on the Audit of the Financial statements		
Opinion		
We have audited the financial statements of Abans Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.		
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its 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 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.		
Key audit matters		
Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the 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, our description of how our audit addressed the matter is provided in that context.		
We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.		

Key audit matter	How our audit addressed the key audit matter
Impairment allowances for Loan, Lease and Hire purchase receivables: As at 31 March 2022, Loan, Lease and Hire purchase receivables net of impairment allowances amounted to LKR 8,109 Mn and is disclosed in note(s) 19 & 20. These collectively contributed 77% to the Company's total assets. Impairment allowances on Loan, Lease and Hire purchase receivables is a key audit matter due to: • Materiality of the reported provision for credit impairment which involved complex calculations: and • Significant judgements used in assumptions and estimates made by the management as reflected in note 3.1.10, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of Covid-19 debt moratorium relief measures.	Our audit procedures included amongst others the following. • We assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. • We evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls. • We checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Company. For Loan, Lease and Hire purchase receivables assessed on a collective basis for impairment: • We tested key calculations used in the impairment allowances. • We assessed whether significant judgements used in assumptions and estimates used by the management in the underlying methodology and management overlays were reasonable. We also evaluated the reasonableness of forward looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Our procedures were based on the best available information up to the date of our report. For loans and advances assessed on individual basis for impairment: • We assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on borrower's particular circumstances. • We checked the accuracy of the underlying individual impairment calculations. • We evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions. Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery actions and collateral values. • We assessed the adequacy of the related financial statement disclosures set out in note(s) 19 & 20.
Financial reporting related IT based Internal controls A significant part of the Company's financial reporting process is primarily reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spread sheets. Accordingly, financial reporting related IT based Internal controls is considered a key audit matter.	Our audit procedures included the following: • We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • We identified and test checked relevant controls of key IT systems related to the Company's Financial reporting process. • We evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. • We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.

Other information included in the 2022 Annual Report Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2022 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.	3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
Responsibilities of management and those charged with governance for the 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 reporting process.	4. 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. 5. 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.
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 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: 1. 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. 2. 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 controls.	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 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 1697.

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Licensed Finance Company by the Monetary Board of Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011



30 May 2022
Colombo

