

UB FINANCE COMPANY LIMITED



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UB FINANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UB Finance Company Limited ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company 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 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.

Emphasis of Matter

We draw attention to Note 27.1 to the financial statements, which discusses the Minimum Core Capital and Capital Adequacy Requirements of the Company as stipulated by the Directions on Minimum Core Capital and Capital Adequacy Requirements by Central Bank of Sri Lanka and the proposed plans by management to comply with the said Requirements. Our opinion is not modified in respect of this matter.

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.

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.

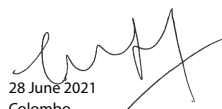
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.

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.


28 June 2021
Colombo

Partners: W R H Fernando FCA ACMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H Fonseka FCA A P A Gunasekara FCA FCA A Heath FCA D K Hulangamuwa FCA FCMA LLB (Sri Lanka) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G S Mananunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudan ACMA T P M Ruberu FCMA FCMA

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FINANCIAL STATEMENTS YEAR ENDED 31ST MARCH 2021

Key Financial Data for the Period Ended 31st March 2021 (Audited)

In Rupees Million	Current Period From : 01/04/2020 To : 31/03/2021	Previous Period From : 01/04/2019 To : 31/03/2020
Interest Income	1,521.2	1,821.7
Interest Expenses	(928.9)	(1,228.4)
Net Interest Income	592.3	593.3
Gains/(Losses) from Trading activities	11.8	4.5
Other Income	75.3	117.5
Operating Expenses (excluding impairment)	(388.9)	(441.1)
Impairment	(213.0)	(172.9)
Profit/(Loss) Before Tax	77.5	101.3
Taxes *	(118.6)	(95.9)
Profit/(Loss) After Tax	(41.1)	5.4

* Includes indirect taxes (Such as VAT on Financial Service) and direct taxes (Corporate Income tax)

Key Financial Data as at 31th March 2021 (Audited)

In Rupees Million	As at 31 / 03 / 2021	As at 31 / 03 / 2020
Assets		
Cash and Bank Balance	250.4	222.4
Government Securities	348.6	593.7
Due from Related Parties	-	-
Loans (excluding due from related parties)	6,901.2	7,739.2
Investments in Equity	15.6	0.2
Investment Properties and Real Estate	100.4	111.8
Property, Plant and Equipment	275.8	298.3
Other Assets	295.0	384.7
Total Assets	8,187.0	9,350.3
Liabilities		
Due to Banks	65.9	218.2
Due to Related Parties	1,013.0	739.1
Deposits from Customers	4,440.7	6,160.3
Other Borrowings	1,620.1	1,190.8
Other Liabilities	309.1	274.2
Total Liabilities	7,448.8	8,582.6
Equity		
Stated Capital	1,028.3	1,028.3
Statutory Reserve Fund	67.9	67.9
Retained Earnings	(418.8)	(377.5)
Other Reserves	60.8	49.0
Total Equity	738.2	767.7
Total Equity & Liabilities	8,187.0	9,350.3
Net Assets Value Per Share	0.32	0.33

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	3.6%	6.5%	1.2%	6.5%
Total Capital Adequacy Ratio	4.6%	10.5%	2.8%	10.5%
Capital Funds to Deposit Liabilities Ratio	22.3%	10.0%	16.6%	10.0%
Quality of Loan Portfolio (%)				
Gross Non-Performing Loans Ratio	15.8%		18.6%	
Net-Non-Performing Loans Ratio	8.0%		10.2%	
Net-Non-Performing Loans to Core Capital Ratio,	218.7%		881.7%	
Provision Coverage Ratio,	49.5%		45.1%	
Profitability (%)				
Net Interest Margin	7.0%		5.9%	
Return on Assets (PBT)	0.9%		1.1%	
Return on Equity (PAT)	-5.6%		0.7%	
Cost to Income Ratio	57.2%		61.7%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	197.7%		124.1%	
Liquid Assets to External Funds	8.4%		9.4%	
Memorandum information				
Number of Branches	16		16	
External Credit Rating	[SL] BB (Negative)		[SL] BB (Negative)	
Regulatory penalties imposed last 6 months				
Amount (Rs. Mn)	-		-	
Regulatory Deposit Restrictions				
Cap on total Deposits (Rs. mn)	5,800		7,200	
Regulatory Lending Restrictions				
Cap on total Lending portfolio (Rs. mn)	8,100		9,800	

CERTIFICATION:

We, the undersigned, being the Director/Chief Executive Officer, the Deputy General Manager - Finance and the Compliance Officer of UB Finance Company Limited certify jointly that:

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

(Sgd.)
Ransith Karunaratne
Director/Chief Executive Officer

(Sgd.)
Asanka Udugama
Deputy General Manager - Finance

(Sgd.)
Migara K. Abayatilake
Compliance Officer

28th June 2021
Colombo