

Key Financial Data for the Period Ended 31st March (Audited)				
In Rupees Million	Current Period		Previous Period	
	From 01/04/2022 to 31/03/2023	As of % Interest Income	From 01/04/2021 to 31/03/2022	As of % Interest Income
Interest Income	11,947	100%	7,852	100%
Interest Expenses	(7,411)	62%	(2,651)	34%
<b>Net Interest Income</b>	<b>4,536</b>	<b>38%</b>	<b>5,201</b>	<b>66%</b>
Gains/(Losses) from Trading Activities	(48)	0%	40	1%
Other Income	296	2%	556	7%
Operating Expenses (Excluding Impairment)	(3,139)	26%	(2,776)	35%
Impairment	(275)	2%	(103)	1%
<b>Profit / (Loss) Before Tax</b>	<b>1,370</b>	<b>11%</b>	<b>2,918</b>	<b>37%</b>
Value Added Tax on Financial Services and Income Tax	(865)	7%	(1,455)	19%
<b>Profit / (Loss) After Tax</b>	<b>505</b>	<b>4%</b>	<b>1,463</b>	<b>19%</b>

Key Financial Data as at 31st March (Audited)				
In Rupees Million	As at			
	31/03/2023	As of % Total Assets	31/03/2022	As of % Total Assets
<b>Assets</b>				
Cash & Bank Balance	567	1%	795	2%
Government Securities	3,381	6%	1,752	4%
Due from Related Parties	-	0%	-	0%
Leasing / Hire Purchase and Loan Receivable (Excluding related parties)	39,002	75%	40,302	84%
Investment in Equity	271	1%	185	0%
Investment Properties and Real Estate	163	0%	170	0%
Property, Plant and Equipment	2,595	5%	2,502	5%
Other Assets	6,269	12%	2,434	5%
<b>Total Assets</b>	<b>52,248</b>	<b>100%</b>	<b>48,140</b>	<b>100%</b>
<b>Liabilities</b>				
Due to Banks	22,571	43%	23,426	49%
Due to Related Parties - Deposits	220	0%	46	0%
Deposits from Customers	20,256	39%	14,635	30%
Other borrowings	-	0%	-	0%
Other Liabilities	2,243	5%	3,352	7%
<b>Total Liabilities</b>	<b>45,290</b>	<b>87%</b>	<b>41,459</b>	<b>86%</b>
<b>Equity</b>				
Stated Capital	614	1%	614	1%
Statutory Reserve Fund	1,002	2%	977	2%
Retained Earnings	3,762	7%	3,500	7%
Other Reserves	1,580	3%	1,590	4%
<b>Total Equity</b>	<b>6,958</b>	<b>13%</b>	<b>6,681</b>	<b>14%</b>
<b>Total Equity and Liabilities</b>	<b>52,248</b>	<b>100%</b>	<b>48,140</b>	<b>100%</b>
<b>Net Asset Value Per Share (Rs.)</b>	<b>206</b>		<b>198</b>	

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

**CERTIFICATION:**

We, the undersigned, being the Deputy Chairman & Managing Director, Assistant General Manager (AGM) Finance 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

**W.A.D.D. Tillakaratne**  
AGM - Finance

**R.L. Hewage**  
Compliance Officer

27-06-2023

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.

Lanka Rating Agency (SL) BBB- with stable outlook

Selected Key Performance Indicators				
Item	As at 31/03/2023		As at 31/03/2022	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy Ratio	12.42%	8.50%	11.67%	7.00%
Total Capital Adequacy Ratio	16.55%	12.50%	15.17%	11.00%
Capital Funds to Deposit Liabilities Ratio	29.09%	10.00%	38.85%	10.00%
<b>Quality of Loan Portfolio (%)</b>				
Gross Stage 3 Loan Ratio	13.12% (90 DPD)		4.96% (180 DPD)	
Net Stage 3 Loan Ratio	10.03% (90 DPD)		2.17% (180 DPD)	
Net Stage 3 Loan Ratio to Core Capital Ratio	74.90% (90 DPD)		17.35% (180 DPD)	
Stage 3 Impairment Coverage Ratio	23.56% (90 DPD)		56.18% (180 DPD)	
Total Impairment Coverage Ratio	4.28% (90 DPD)		4.05% (180 DPD)	
<b>Profitability (%)</b>				
Net Interest Margin	9.97%		14.31%	
Return on Assets	1.89%		5.75%	
Return on Equity	7.40%		23.41%	
Cost to Income Ratio	65.90%		47.93%	
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	189.88%		157.08%	
Liquid Assets to External Funds	9.32%		7.10%	
<b>Memorandum information</b>				
Number of Branches and other centers	89		89	
External Credit Rating (Lanka Rating)	BBB- (Stable)		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 Statement of financial position as at 31 March, 2023 and the Statement of profit or loss, Statement of other comprehensive income, Statement 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, 2023 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 Responsibility 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 matters in that context.

Key audit matter	How our audit procedures addressed the key audit matter
<b>Impairment of loans and advances, lease and hire purchase rental receivables.</b>	We assessed whether the Company and the Group's impairment computations and underlying methodology align with the requirements of SLFRS 9 with consideration of worsened economic condition, related responses from industry, the regulator, and CA Sri Lanka based on the best available information up to the date of our report.
Refer to accounting policy No. 4.5.7 - Impairment of financial assets and Note 11 - Impairment charges for loans and other losses together with Notes 23,24 and 25 for details of impairment provisions carried as at 31 March 2023.	Our audit procedure was designed to obtain sufficient and appropriate audit evidence, including amongst others the following: • 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 of Directors. • We checked the completeness and accuracy of underlying data used in the computations. In addition to the above, the following procedures were performed. <b>For individual impairment</b> • 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 selected a sample of large customers based on quantitative thresholds that were individually identified by management due to; a significant increase in credit risks, having signs of deterioration, or in areas of emerging risk (assessed against external market conditions and considering prevailing uncertain and volatile macro-economic environment). • 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. • We evaluated the associated reasonableness of the provisions made with particular focus on the prevailing uncertain and volatile macro-economic environment in high-risk industries, strategic responsive actions are taken, collateral values, and the value and timing of recoveries. <b>For collective impairment</b> • We assessed the completeness of the input data used in the impairment calculations by agreeing with details to the Company and Group's sources of documents and information as well as re-performing the calculation of impairment allowance using computer-assisted audit techniques. • We obtained a review report from our internal expert to evaluate the impairment methodology and model developed by the management. It assessed the management's computation of the Expected Credit Loss (ECL) model, including staging, segmentation, Probability of Default (PD), Loss Given Default (LGD), and the appropriateness of incorporating forward-looking factors and scenario-based analysis assumptions. • Recalculated the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD. • We assessed the adequacy of the related financial statement disclosures with relevant accounting standard requirements.

**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 auditor's 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 intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on 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 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 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 3534

*Edirisinghe & Co.*

Edirisinghe & Co.,  
Chartered Accountants  
Colombo  
27-June-2023