

PUBLICATION OF FINANCIAL STATEMENTS AS PER FINANCE BUSSINESS ACT NO.42 OF 2011



ALLIANCE FINANCE COMPANY PLC

Key Financial Data for the Period Ended 31st March (Audited)				
In Rupees Million	Current Period		Previous Period	
	From 01/04/2023 to 31/03/2024	As of % Interest Income	From 01/04/2022 to 31/03/2023	As of % Interest Income
Interest Income	13,185	100%	11,947	100%
Interest Expense	(7,298)	55%	(7,411)	62%
Net Interest Income	5,887	45%	4,536	38%
Gains/(losses) from trading activities	(23)	0%	16	0%
Other Income	783	6%	478	4%
Operating Expenses (excluding Impairment)	(3,944)	30%	(3,385)	28%
Impairment	(336)	3%	(275)	2%
Profit / (Loss) Before Tax	2,367	18%	1,370	11%
Value Added Tax on Financial Services and Income Tax	(1,450)	11%	(865)	7%
Profit / (Loss) After Tax	917	7%	505	4%

Selected Key Performance Indicators				
Item	As at 31/03/2024		As at 31/03/2023	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	12.07%	8.50%	12.42%	8.50%
Total Capital Adequacy Ratio	14.38%	12.50%	16.55%	12.50%
Capital Funds to Deposit Liabilities Ratio	25.70%	10.00%	29.09%	10.00%
Quality of Loan Portfolio (%)				
Gross Stage 3 Loan Ratio	9.38%		13.12%	
Net Stage 3 Loan Ratio	6.38%		10.03%	
Net Stage 3 Loan Ratio to Core Capital Ratio	49.37%		74.90%	
Stage 3 Impairment Coverage Ratio	31.93%		23.56%	
Total Impairment Coverage Ratio	3.89%		4.28%	
Profitability (%)				
Net Interest Margin	11.57%		9.97%	
Return on Assets (Before Tax)	3.02%		1.89%	
Return on Equity (After Tax)	12.15%		7.40%	
Cost to Income Ratio	59.51%		67.59%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	143.01%		189.88%	
Liquid Assets to External Funds	8.13%		9.32%	
Memorandum information				
Number of Branches and other centers	90		89	
External Credit Rating (Lanka Rating)	BBB- (Stable)		BBB- (Stable)	

Key Financial Data as at 31st March (Audited)				
In Rupees Million	As at			
	31/03/2024	As of % Total Assets	31/03/2023	As of % Total Assets
Assets				
Cash & Bank Balance	1,037	2%	567	1%
Government Securities	4,472	7%	3,381	6%
Due from Related Parties	-	0%	-	0%
Leasing / Hire Purchase and Loan Receivable (Excluding related parties)	46,104	77%	39,002	75%
Investment in Equity	445	1%	271	1%
Investment Properties and Real Estate	188	0%	163	0%
Property Plant and Equipment	3,203	5%	2,595	5%
Other Assets	4,726	8%	6,269	12%
Total Assets	60,175	100%	52,248	100%
Liabilities				
Due to Banks	20,310	34%	22,571	43%
Due to Related Parties - Deposits	184	0%	220	0%
Deposits from Customers	28,204	47%	20,256	39%
Other borrowings	-	0%	-	0%
Other Liabilities	3,348	6%	2,243	4%
Total Liabilities	52,046	87%	45,290	87%
Equity				
Stated Capital	614	1%	614	1%
Statutory Reserve Fund	1,048	2%	1,002	2%
Retained Earnings	4,510	7%	3,762	7%
Other Reserves	1,957	3%	1,580	3%
Total Equity	8,129	13%	6,958	13%
Total Equity and Liabilities	60,175	100%	52,248	100%
Net Asset Value Per Share (Rs.)	241		206	

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 statement of the company and its subsidiary ("the Group") which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.
In our opinion, the accompanying financial statements of the Company and Group give a true and fair view of the financial position of the Company and Group as of 31 March 2024, 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 Group in accordance with the Code of Ethics for Professional Accountants 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.

Risk description	How our audit addressed the key audit matter
Impairment of loans and receivables Refer to the accounting policy section 2.11.3 Impairment of financial assets and Notes 23 to 25 to the financial statements. As at 31 March 2024, total amount of lease receivables, loans and advances amounted to LKR 47,786 million, with a total allowance for impairment of LKR 1,682 million. Total net amount of loans and receivables contribute 77% to the total assets. Management assesses whether the credit risk of loans and receivables to customers have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their Expected Credit Loss (ECL). ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default and discount rates. Individual impairment is determined using discounted cash flows: The impairment of loans and receivables using the ECL model was considered as a key audit matter due to factors such as: - The ECL model involves complex calculations with key variables used in the model requiring significant management judgment and use of assumptions. - The magnitude of the reported amounts of loans and receivables to customers and the impairment allowances thereof. - The determination of expected loss rates is an uncertain economic environment.	The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and receivables to customers in line with SLFRS 9 adopted, included the following: - Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process (including evaluation of impairment of loans and receivables), and underlying information systems. - Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired. - Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management. - Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information. - To test the identification of loans with default events and other triggers, we selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans requiring impairment. - For loans and receivables individually impaired, assessing the reasonability on a sample basis, future cash flows forecasted by management and the discount rates supporting the loss allowance computation. - Checking the underlying calculations and data on a sample basis for accuracy and completeness. - Assessing the accuracy and sufficiency of related disclosures.

Other Matter
The financial statements of Alliance Finance Company PLC for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2023.

Other information
Management is 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this

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 3991.
Deloitte Associates Chartered Accountants Colombo
31 May 2024

Note: Amounts stated are in net of impairment and depreciation.
CERTIFICATION:
We, the undersigned, being the Deputy Chairman & Managing Director, Chief Financial Officer 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 unaudited financial statements of the Licensed Finance Company unless indicated as audited.

R.K.E.P. de Silva
Deputy Chairman & Managing Director

W.A.D.D. Tilakaratne
Chief Financial Officer

B. Karlyawasam
Compliance Officer

27-06-2024

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