



Alliance Finance Co. PLC

Making the world a better place through sustainable finance



MANAGERS & PLACEMENT AGENTS



CORPORATE TREASURY



ALLIANCE FINANCE COMPANY PLC



PROSPECTUS

**AN ISSUE OF UPTO TWENTY MILLION (20,000,000) LISTED, RATED, UNSECURED, SENIOR, REDEEMABLE
SOCIAL BONDS AT THE PAR VALUE OF SRI LANKA RUPEES ONE HUNDRED (LKR 100/-) EACH TO RAISE
SRI LANKA RUPEES TWO BILLION (LKR 2,000,000,000/-)**

**MAXIMUM ISSUE WILL NOT EXCEED TWENTY MILLION (20,000,000) OF
SAID SOCIAL BONDS OF A VALUE OF NOT EXCEEDING SRI LANKA RUPEES TWO BILLION
(LKR 2,000,000,000/-)**

**TO BE LISTED ON THE
COLOMBO STOCK EXCHANGE**

Rated BBB by Lanka Rating Agency Limited

ISSUE OPENS ON

21ST AUGUST 2025

Managers and Placement Agents to the Issue



Corporate Treasury



This Prospectus is dated 7th August 2025

The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, CSE assumes no responsibility for accuracy of the statements made, opinions expressed, omitted statements or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of Social Bonds which is decided solely by the Issuer.

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If any material change in the affairs of the Company occurs subsequent to the Prospectus date and before the Issue opening, same will be notified by way of a market disclosure/an addendum.

We advise you to read the content of the Prospectus carefully prior to investment.

If you are in a doubt regarding the contents of this document or of you require any clarification or advice in this regard, you should consult the Manager to the Issue, your stockbroker, lawyer or any other professional advisor.

Responsibility for the Content of the Prospectus

This Prospectus has been prepared with available information.

The Directors of Alliance Finance Company PLC (the Company or the Issuer) have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in its best judgment.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of pertinent information, it does not assume responsibility for any investment decisions made by the investors based on the information contained herein. In making such investment decisions, prospective investors are advised to read the Prospectus and rely on their own examination and assessment of the Company and the terms of the Social Bonds issued including the risks associated.

Registration of the Prospectus

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of Section 40 of the Companies Act No.7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to Section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b) The written consent of the Rating Agency for the inclusion of their name in the Prospectus as Rating Agency to the Issue and to the Company.
- c) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- d) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
- e) The written consent of the Company Secretary of the Company for the inclusion of the name in the Prospectus as Company Secretary to the Company.
- f) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Independent External Reviewer to the Issue for the inclusion of their name in the Prospectus as Independent External Reviewer to the Issue
- i) The written consent of the Managers and Placement Agents to the Issue for the inclusion of their names in the Prospectus as Managers and Placement Agents to the Issue.
- j) The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Company, Trustee to the Issue, Bankers to the Issue, Company Secretary, Managers and Placement Agents to the Issue, , Registrars to the Issue, Lawyers to the Issue, Independent External Reviewer to the Issue, Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar of Companies in Sri Lanka withdrawn such consent.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-Resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

Representation

The Social Bonds are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, salesperson, individual or any other outside party has been authorized to give any information or to make any representation in this connection with the Issue other than the information and representations contained in this Prospectus and if given or made such information or representations must not be relied upon as having been authorized by the Company.

Forward Looking Statements

Any Statements included in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of forward looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risk and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to “LKR”, “Rupees” or “Rs.” is the lawful currency of Sri Lanka. Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. All numerical figures given under Section 7.0 of the Prospectus are audited figures unless otherwise stated.

IMPORTANT

All Applicants should indicate in the Application for Social Bonds, their Central Depository Systems (Private) Limited (CDS) account number.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differs from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/ passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicant are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 22nd November 2010 and Circular No.13/2010 issued by the CDS dated 30th November 2010, all Social Bonds are required to be directly deposited into the CDS. To facilitate compliance with this directive, all Applicant are required to indicate their CDS account number.

In line with this directive, THE SOCIAL BONDS ALLOTTED TO AN APPLICANT WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH APPLICANT, the details of which is indicated in their Application Form. If the CDS account number indicated in the Application Form is found to be inaccurate /incorrect or there is no CDS number indicated, the Application will be rejected, and no allotments will be made. The Company may require an Applicant to provide such documentation as is reasonably necessary to satisfy itself that the investor is an Applicant.

PLEASE NOTE THAT SOCIAL BOND CERTIFICATES WILL NOT BE ISSUED, HOWEVER, PLEASE NOTE THAT UPON THE ALLOTMENT OF SOCIAL BONDS UNDER THIS ISSUE, THE ALLOTTED SOCIAL BONDS WOULD BE CREDITED TO THE APPLICANT’S CDS ACCOUNT INDICATED IN THE APPLICATION FORM.

Applicant who wishes to open a CDS account, may do so through a Trading Participants of the CSE as set out in Annexure IV or through any Custodian Bank as set out in Annexure V of this Prospectus.

ISSUE AT A GLANCE

Issuer	Alliance Finance Company PLC																						
Instrument	Listed, Rated, Unsecured, Senior, Redeemable Social* Bonds <i>Note - *These are GSS+ Bonds as defined by the CSE Listing Rules and issued in compliance with the CSE Listing Rules</i>																						
Listing	The Social Bonds will be listed on the Colombo Stock Exchange																						
Number of Social Bonds to be Issued	An Issue of up to Twenty Million (20,000,000) Listed, Rated, Unsecured, Senior, Redeemable Social Bonds																						
Amount to be Raised	A sum of up to Sri Lanka Rupees Two Billion (LKR 2,000,000,000/-)																						
Entity Rating	BBB by Lanka Rating Agency Limited																						
Issue Rating	BBB by Lanka Rating Agency Limited																						
Issue Price	Rupees One Hundred (LKR 100/-) per each Social Bond																						
Par Value	Rupees One Hundred (LKR 100/-) per each Social Bond																						
Details of Social Bonds	<table> <tr> <th>Type</th><th>Type of Interest</th><th>Tenure</th><th>Interest Rate (per annum)</th><th>Annual Effective Rate (AER)</th><th>Interest Payment Frequency</th></tr> <tr> <td>A</td><td>Fixed Rate</td><td>4 years</td><td>11.15% p.a.</td><td>11.15%</td><td>Annually</td></tr> <tr> <td>B</td><td>Fixed Rate</td><td>5 years</td><td>11.40% p.a.</td><td>11.40%</td><td>Annually</td></tr> </table>					Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency	A	Fixed Rate	4 years	11.15% p.a.	11.15%	Annually	B	Fixed Rate	5 years	11.40% p.a.	11.40%	Annually
Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency																		
A	Fixed Rate	4 years	11.15% p.a.	11.15%	Annually																		
B	Fixed Rate	5 years	11.40% p.a.	11.40%	Annually																		
Minimum Number of Social Bonds to be Subscribed	<p>The minimum subscription requirement applicable for an investor applying for Social Bonds shall be Rupees Ten Thousand (LKR 10,000/-).</p> <p>Any Application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (LKR 10,000/-).</p>																						
Interest Payment Date(s)	The dates on which payments of interest in respect of the Social Bonds shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months thereafter from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.																						
Interest Period	The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).																						

Mode of Payment of Principal Sum and Interest	Through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS where accurate bank account details are provided by the Social Bond Holders subject to the prevalent limitation with regard to SLIPS and RTGS or by cheque marked "Account Payee Only".
Issue Opening Date	21 st August 2025
Date of Redemption/ Maturity Date	The date on which Redemption of the Social Bonds will take place as referred to in Section 5.6 of this Prospectus.
Date of Allotment	The date on which the Social Bonds will be allotted by the Company to Applicants subscribing thereto.
Closure Date of the Subscription List	<p>Subject to the provisions contained below, the subscription list for the Social Bonds will open at 9.30 a.m. on 21st August 2025 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on 10th September 2025.</p> <p>However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the maximum of Twenty Million (20,000,000) Social Bonds being fully subscribed</p> <p>In the event the Board of Directors of the Company decides to close the Social Bond Issue without the full subscription of the initial Twenty Million (20,000,000) Social Bonds, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm (refer Section 5.2 of this Prospectus).</p>
Basis of Allotment	<p>In the event of an over subscription, the Board of Directors of the Company will endeavour to decide the basis of allotment of the Social Bonds in a fair manner within seven (07) Market days from the closure of the Issue.</p> <p>The Board however shall reserve the right to allocate up to a maximum of 75% of the Number of Social Bonds to be allotted under this Prospectus on a preferential basis, to identified institutional investor/s of strategic importance with whom the Company might have mutually beneficial relationships in the future as future investors.</p> <p>Number of Social Bonds to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Social Bonds to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).</p>

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1 CORPORATE INFORMATION

Name of the Company/Issuer	Alliance Finance Company PLC
Legal Status	The Company was incorporated as a public company on 18th July 1956 under the provisions of the Companies Ordinance No.51 of 1938 and re-registered under the Companies Act No.07 of 2007.
Regulatory License	The Company operates under the authority of the license issued by Monetary Board of Central Bank of Sri Lanka. The license issued is a continuous license and does not have an expiry date.
Company Number	PQ 93
Place of Incorporation	Colombo, Sri Lanka
Registered Address	Alliance Finance Company PLC Alliance House, No 84 Ward Place, Colombo 07 Tel: +94 11 2 673 673 / Fax: +94 11 2 697 205,
Company Secretary	Mrs. Priyanga P. Pieris Alliance Finance Company PLC Alliance House, No. 84, Ward Place, Colombo 07 Tel: +94 112 673 673
Rating Agency	Lanka Rating Agency Limited 145 Kynsey Road, Colombo 08 Tel: +94 114 500 099
Auditors	M/s Deloitte Associates Chartered Accountants, No.100, Braybrooke Place, Colombo 02. Tel: +94 115 444 400
Board of Directors	Mrs. G.S.T. Dharmakirti Herath-Chairperson – Independent Non-Executive Director Mr. R. K.E.P. de Silva- Deputy Chairman / Managing Director – Executive Director Mr. W.P.K. Jayawardana- Deputy Managing Director- Executive Director Mr. M.J. Benedict- Executive Director Recoveries Mrs. P. de Silva- Independent Non-Executive Director Mr. L.J.H. de Silva- Non-Independent Non-Executive Director Mr. D.L.I. Hettiarachchi- Independent Non-Executive Director Mr. D.F.W. Perera- Non-Independent Non-Executive Director Dr. S.L.N. Wickremasooriya- Non-Independent Non-Executive Director

2 RELEVANT PARTIES TO THE ISSUE

Managers and Placement Agents to the Issue	<p>NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04</p> <p>Tel: + 94 11 2 300 385-90 Fax: +94 11 2 300 393</p>
Lawyers to the Issue	<p>Nithya Partners No. 97A, Galle Road Colombo 03</p> <p>Tel: +94 11 4 712 625 Fax: +94 11 2 328 817</p>
Registrars to the Issue	<p>S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03, Sri Lanka.</p> <p>Tel: +94 11 2 573 894 Fax: +94 11 2 573 609</p>
Trustee to the Issue	<p>Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10</p> <p>Tel: +94 77 7 712 406</p>
Company Secretary	<p>Mrs. Priyanga P. Pieris Alliance Finance Company PLC Alliance House, No. 84, Ward Place, Colombo 07</p> <p>Tel: +94 112 673 673</p>
Rating Agency to the Issue	<p>Lanka Rating Agency Limited 145 Kynsey Road, Colombo 08</p> <p>Tel: +94 114 500 099</p>
Bankers to the Issue	<p>National Development Bank PLC No. 40, Navam Mawatha, Colombo 02</p> <p>Tel: +94 11 2 448 448 Fax: +94 11 2 341 044, +94 11 2 440 262</p>

Auditors and Reporting Accountants	M/s Deloitte Associates Chartered Accountants, No.100, Braybrooke Place, Colombo 02. Tel: +94 115 444 400
Independent External Reviewer to the Issue	Assurance Team M/s Deloitte Associates Chartered Accountants, No.100, Braybrooke Place, Colombo 02. Tel: +94 115 444 400

3 LIST OF ABBREVIATIONS

AER	Annual Effective Rate
CBSL	the Central Bank of Sri Lanka
CBI Standards	Climate Bonds Initiative Standards
CDS	Central Depository Systems (Private) Limited
CSE	the Colombo Stock Exchange
GSS+	Green, Blue, Social, Sustainability and Sustainability linked
ICMA	International Capital Markets Association
IIA	Inward Investment Account
Issuer/Company	Alliance Finance Company PLC
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
SBF	Social Bond Framework
SBP	Social Bond Principles
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter Bank Payment System
UNSDG	United Nations Sustainable Development Goal

4 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant	Any person identified as an investor, who submits an Application Form under this Prospectus.
Application Form/Application	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Social Bonds in Issue.
Company/ Issuer	Alliance Finance Company PLC
Closure Date	<p>Subject to the provisions contained below, the subscription list for the Social Bonds will open at 9.30 a.m. on 21st August 2025 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on 10th September 2025.</p> <p>However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the maximum of Twenty Million (20,000,000) Social Bonds being fully subscribed</p> <p>In the event the Board of Directors of the Company decides to close the Social Bond Issue without the full subscription of the Twenty Million (20,000,000) Social Bonds, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm. (refer Section 5.2 of this Prospectus).</p>
Date of Allotment	The date on which the Social Bonds will be allotted by the Company to Applicants subscribing thereto.
Date of Redemption	The date on which Redemption of the Social Bonds will take place as referred to in Section 5.6 of this Prospectus.
Social Bonds	Listed, Rated, Unsecured, Senior, Redeemable Social Bond Issue
Social Bond Holder(s)	Any person who is for the time being the holder of the Social Bonds and includes his/her respective successors in title.
Eligible Social Projects	Any Eligible Social Project for which the proceeds of the Social Bond are utilized as defined under Factors Considered or to be Considered in Determining the Eligible Social Projects in Section 5.3 which is aligned with the Principles, guidelines and requirements set out in Rule 2.2.1 (o)(b) of the CSE Listing Rules for which the Social Bond instrument is issued.
Entitlement Date	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Social Bond Holder would need to be recorded as being a Social Bond Holder on the list of Social Bond Holders provided by the CDS to the Company /in whose name the Social Bonds are registered in the Social Bond Holders' register of the Company (where applicable), in order to qualify for the payment of any interest or any Redemption proceeds.
GSS+ Bond	Means any type of bond instrument where the proceeds will be exclusively applied to finance or re- finance, in part or in full, new and/or existing eligible GSS+ Project/s.

Independent External Reviewer	Means at a minimum, an entity that possesses expertise and experience in; - reviewing GSS+ Bonds which is aligned with the Principles, guidelines and requirements set out in Rule 2.2.1 (o)(b) of the CSE Listing Rules for which the Bond instrument is issued, and, - providing an external review on the alignment of GSS+ Bonds with the International Capital Market Association Principles and Guidelines and where applicable Green Finance Taxonomy or any related Taxonomy issued or that may issue by the Central Bank of Sri Lanka via any of the methods of reviews as set out in Section 2.2.1 (o) (c) of the CSE Listing Rules.
Interest Payment Date(s)	The dates on which payments of interest in respect of the Social Bonds shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.
Interest Period	The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).
Issue	The offer of Social Bonds to Investors pursuant to this Prospectus
Issue Price	Rupees One Hundred (LKR 100/-) per each Social Bond
Market Day	Any day on which trading takes place at the CSE.
Working Day	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka.
Non-Resident(s)	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka
Borrower(s)	The entity/person who the Social Bond Proceeds will be lent to
Par Value	LKR 100/- per each Social Bond
Principal Sum	The product of the number of Social Bonds allotted and the Par Value
Prospectus	This prospectus dated 7 th August 2025 issued by Alliance Finance Company PLC
Redemption	Repayment of the Principal Sum and unpaid and accrued interest (if any) with regard to a Social Bond to a Social Bond Holder by the Company
Registered Address	When used in relation to a Social Bond Holder means the address provided by the Social Bond Holders to the CDS
Trustee	Hatton National Bank PLC
Trust Deed	Trust Deed executed between the Company and Hatton National Bank PLC on 5 th August 2025.

5 PRINCIPAL FEATURES OF THE SOCIAL BONDS

5.1 INVITATION TO SUBSCRIBE

The Board of Directors of Alliance Finance Company PLC (hereinafter referred to as the “Board”) at the Board Meetings held on 31st March 2025 and 07th May 2025 resolved to raise a sum of Rupees Two Billion (LKR 2,000,000,000/-) by an issue of up to Twenty Million (20,000,000) Social Bonds, each with a Par Value of LKR 100/-

As such a maximum amount of Rupees Two Billion (LKR 2,000,000,000) would be raised by the issue of a maximum of Twenty Million (20,000,000) Bonds each with the Par Value of LKR 100/-.

The issue comprises a maximum of Twenty Million (20,000,000) Listed, Rated, Unsecured, Senior, Redeemable Social Bonds.

The rights of the Social Bond Holders with respect to payment of the Principal Sum and accrued interest due thereon upon a winding-up of the Company will rank after all the claims of secured creditors and preferential claims under any Statutes governing the Company but equal and *pari passu* with all other unsecured creditors of the Company, but in priority to and over the rights of any subordinated debt holders, preference and ordinary shareholders.

The below mentioned Bonds will be offered to the public:

Type	Tenure	Interest Rate Basis	Issue Price per Bond (LKR)	Description
A	4 Years	Fixed	100	11.15% p.a. payable annually (AER 11.15%)
B	5 Years	Fixed	100	11.40% p.a. payable annually (AER 11.40%)

It is the intention of the Company to list the Social Bonds on the Colombo Stock Exchange. The CSE has given its in principle approval for the listing of the Social Bonds on the CSE. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules.

Listed, Rated, Unsecured, Senior, Redeemable, Social Bonds issued under the Prospectus are not subject to an early redemption or have a “convertible option”. However, Social Bonds shall become immediately payable at the option of the Trustee on the occurrence of an event of default as specified in Clause 10 of the Trust Deed and individual Social Bond Holders could call for redemption of Social Bonds in the circumstances as set forth in Section 7 of the CSE Listing Rules as provided under Clause 4.4 as the dissenting option in the Trust Deed. Clause 4 of the Trust Deed specifies instances where immediate payment can happen to the Social Bond Holders. This Social Bond is not collateralized by any asset of the Company.

Subject to enforcement actions as per Section 7 of the CSE Listing Rules if the Company fails to comply with the continuous listing requirements applicable for a Social bond,

- The Company shall pay the maturity proceeds relating to the Social Bonds held by such dissenting Social Bond Holders within seven (07) Market Days from the meeting of Social Bond Holders.
- CSE shall cease to recognize such Debt Securities of the Company as GSS+ Bonds (Social Bonds). Such non-recognition may lead the Company to effect changes to the existing features of the proposed Social Bonds (e.g. features, rights, interest rates, AER etc. along with any other benefits attached to the proposed Social Bond).

- The Company shall make an Immediate Market Announcement setting out the outcome of the meeting of the Social Bond Holders convened by the Company by Market Day immediately following the date of the meeting of the Social Bond Holders. Such announcement shall include any decisions/modifications made pertaining to the Social Bonds and/or its terms of issue (as applicable), and information relating to the dissenting Social Bond Holders (if any).

5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Social Bonds will open at 9.30 a.m. on 21st August 2025 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on 10th September 2025.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the maximum of Twenty Million (20,000,000) Social Bonds being fully subscribed

In the event the Board of Directors of the Company decides to close the Social Bond Issue without the full subscription of the Twenty Million (20,000,000) Social Bonds, such decision is to be notified to the CSE on the day such decision is made and subscription list will be closed on the following Market Day at 4.30 p.m.

5.3 OBJECTIVES OF THE SOCIAL BOND ISSUE AND SPECIFIC RISK RELATING TO THE OBJECTIVES OF THE ISSUE

The Company proposes to utilise the entirety of the funds raised through this Issue for the purpose of achieving the following objectives;

1. Promoting Micro, Small, and Medium Enterprises (MSMEs) as well as rural entrepreneurs through value chain financing to stimulate economic growth and create employment opportunities. For this objective, the Company will allocate approximately 75% of the funds raised via the Social Bond Issue.
2. Providing microfinance to marginalized and underserved communities who lack access to traditional financial services, empowering them to improve their livelihoods and financial stability. This product is exclusively offered to women borrowers. For this objective, the Company will allocate approximately 25% of the funds raised via the Social Bond Issue.

As of 31st May 2025, the Company's lending to the MSME and microfinance segments for the first two months of the 2025/26 financial year was LKR 3.95 billion and LKR 36.33 million, respectively. During the last financial year ending in March 2025, the Company sustained strong lending momentum, with an average monthly disbursement of approximately LKR 1.58 billion dedicated to financing MSMEs and microfinance activities.

The aforesaid funding will be disbursed as loans and leasing facilities through a range of specialized financing programs designed to support MSME growth, social impact, sustainability and women empowerment. These programs include:

1. MSME Value Chain Financing

Company's MSME sector Value Chain financing primarily supports Agriculture, Manufacturing and Services Sectors including transportation and last mile mobility. It mostly creates self-employment for rural and urban low-income population.

Main products:

1. Leasing and loan facilities for self-employment as three-wheeler owner-drivers who provide the last mile mobility to commuters as well as small vendor good transportation. Loans range from LKR 100,000 to LKR 1 million.
2. Leasing and Loan facilities for self-employment as small trucks owner-drivers and MSME enterprises. This facilitates Agri value chain, services sector and manufacturing sector. Loans range from LKR 100,000 to LKR 2.5 million.
3. Leasing and Loan facilities for self-employment as large trucks owner-drivers, van and bus owners and MSME enterprises. This financing facilitates the manufacturing and services sector enterprises. Loans range from LKR 100,000 to LKR 5 million.

2. Microfinance to Female Borrowers

The Management is keen to gradually expand the inclusive finance loan portfolio of the Company including MSME products in line with its purpose and the high impact goals of the company, sustainability goals and social goals including gender equity and women empowerment. Improving income and livelihood of low-income communities through sustainable and commercially feasible interventions is the primary objective of the loan programme. This product is dedicated only to low income and marginalized female clients of vulnerable and war affected districts. Loan range is from LKR 50,000 to LKR 300,000.

In order to mitigate the client over-indebtedness and internal control weaknesses, the Company will change Center based delivery model to a Group based model with three-member group cross-guarantee for their individual loans. Basic financial literacy and business literacy knowledge sharing is to be done during the client induction programmes.

In the event that the allocated proceeds for Microfinance are not fully utilized, the remaining funds will be redirected to support MSME financing.

Target customers are as follows:

- Socially or financially excluded people (generally without collateral, credit history or previous/tracked experience) who lack access to mainstream sources of finance (e.g. current and potential micro- entrepreneurs and the self-employed).
- Targeting low-income communities, the Company prioritizes women-led enterprises engaged in sustainable and socially beneficial economic activities. The program removes barriers to financial access by supporting clients with viable business plans rather than pre-existing stable incomes. By integrating savings mechanisms, it enhances gender equity and long-term resilience, ensuring women entrepreneurs can expand their businesses, achieve financial independence, and contribute to broader economic development. The initiative also aligns with global financial inclusion standards, emphasizing support for micro-entrepreneurs, small-scale businesses, and underserved populations such as low-skilled workers, kiosk owners, and local supply chain participants.

Furthermore, the Company will not refinance existing projects, ensuring that all financing goes towards funding of social projects which will be exclusively allocated to eligible projects that enhance financial inclusion and support underserved communities.

Any lending to/with related parties will be carried out in compliance with all applicable statutes, direction and regulations. The Company, as at the date of this Prospectus has not recognized related parties for the lending of the proceeds of the Issue. As such, the Company will disburse the proceeds of the Issue/s in the ordinary course of business. However, in the event, funds are lent to related parties in future, such lending will be done in accordance with Section 9 of the CSE Listing Rules. Please refer to Section 8.2 for the composition of the Related Party Transactions Review Committee as at the date of Prospectus.

The objectives of the Social Bond Issue do not fall within the definition of a major transaction in terms of Section 185 of the Companies Act no 7 of 2007.

The Company is required to obtain approval from the CBSL prior to issuing a debt instrument with maturities over one year. The approval has been obtained by the Company on 23rd May 2025. Furthermore, the Company is required to obtain a verification in the form of a written report of the Social Bond framework from the Independent External Reviewer, confirming its alignment with the ICMA Social Bond Principles prior to the Social Bond issuance. The Company has obtained the same.

Company's Social Bond Framework (the Framework) which states the identified social projects, adheres to the Social Bond Principles (SBP) 2023 set by the International Capital Markets Association (ICMA), ensuring transparency and best practices in sustainable finance.

Principles Issued by the ICMA with Regard to Social Bonds

SBP issued by the ICMA, are voluntary guidelines that promote transparency, integrity, and proper disclosure in the Social Bond market. These principles are designed to guide issuers, investors, and other stakeholders in the creation and management of Social Bonds, ensuring that the proceeds are used for social projects that benefit target populations and address specific social issues.

The SBP outlines four core components for issuing a credible Social Bond:

1. Use of Proceeds:

The proceeds from the bond must be allocated to social projects that provide clear benefits to specific populations. These projects could include affordable infrastructure, healthcare, education, employment generation, food security, and empowerment programs. Issuers should also disclose the share of financing versus refinancing for projects.

2. Process for Project Evaluation and Selection:

Issuers should clearly communicate the social objectives of the projects, how they fit into the eligible categories, and the intended benefits to target populations. Issuers are encouraged to disclose how they manage social and environmental risks and include any relevant social standards or certifications.

3. Management of Proceeds:

The proceeds from the bond should be tracked and allocated to eligible projects through a clear internal process. Transparency is encouraged, and issuers may use external auditors to verify the allocation and management of the funds.

4. Reporting:

Issuers are required to provide annual updates on the allocation of proceeds and the expected impact of the projects funded by the Social Bonds. Reports should include information such as project descriptions, amounts allocated, and performance indicators, both qualitative and quantitative. This information should be made publicly available to ensure transparency.

The process, management, and reporting outlined below are in accordance with the SBP, ensuring transparency and accountability in the allocation of funds towards these eligible Social Projects.

Factors Considered or to be Considered in Determining the Eligible Social Projects.

1. The project should fall under at least one of the eligible social project categories given below;
 - i. Funding MSMEs and rural entrepreneurs for stimulation of economic growth and creation of employment opportunities.
 - ii. Funding marginalized and underserved communities who lack access to traditional financial services, empowering them to improve their livelihoods and financial stability through microfinance. This product is exclusively offered to women borrowers.
2. Use of proceeds and criteria for the Borrowers

The Company to provide funding for eligible projects through its MSME and microfinance finance products for aforementioned project categories adhering to exclusion criteria under Section 2.2.2 of the Social Bond Framework and sector specific risk screening given under section 2.1.1. (II)

3. Contribution to the United Nations Sustainable Development Goals (UNSDGs)
 - i. SDG 1: No Poverty
 - ii. SDG 5: Gender Equality
 - iii. SDG 8: Decent Work and Economic Growth
 - iv. SDG 9: Industry, Innovation and Infrastructure
 - v. SDG 10: Reduced Inequality

Evaluation and Selection of Social Bond Projects

The evaluation and selection of social bond projects under the Company's Social Bond Framework focus on ensuring that projects align with the Company's strategic social objectives, particularly in employment generation and socioeconomic empowerment. The process involves several key steps:

1. **Eligibility and Screening:** The Company identifies potential projects that align with its Social Bond objectives, using a rigorous Environmental and Social Management System (ESMS) to assess and mitigate risks. This includes applying exclusion criteria to avoid financing projects with harmful practices, such as forced labor or environmental harm, and conducting sector-specific risk screenings. Whilst the Company plays a facilitating role in channeling funds to SMEs and underserved or marginalized communities, the responsibility for obtaining all necessary statutory, regulatory, and environmental approvals for each project lies with the respective project proponents (i.e., the SMEs or community-based organizations). Projects that have not secured necessary approvals may be required to demonstrate a clear and timely path to obtaining them prior to disbursement of funds.

2. **Excluded Categories:** The Company ensures that proceeds from Social Bonds are not used for projects involving prohibited activities mentioned under Section 2.2.2 of the Social Bond Framework
3. **Evaluation Committee:** A dedicated Social Bond Committee, made up of representatives from various Company departments, oversees the selection process to ensure adherence to the framework.
4. **Eligibility Assessment:** Projects are evaluated based on predefined criteria, focusing on measurable social impacts like employment generation and socioeconomic advancement.
5. **Approval Process:** Eligible projects are presented in detailed proposals, which are reviewed by the Social Bond Committee and approved by the Company Board of Directors, ensuring alignment with the Social Bond Framework.

This comprehensive process ensures that only projects with clear social benefits are selected, promoting responsible and impactful finance.

Management and Reporting on the Proceeds and Utilization of Proceeds

Management of Proceeds

Alliance Finance Company PLC ensures transparency and accountability in managing the proceeds from Social Bonds. The funds will be allocated exclusively to finance new projects within the categories defined under the Company's Social Bond Framework, specifically for Microfinance and MSME financing. A dedicated internal team within the Finance Department will oversee the supervision, tracking, and reporting of the proceeds.

Allocation of Proceeds

The net proceeds from the issuance of Social Bonds will be used for financing new projects that meet the eligibility criteria under the Company's Social Bond Framework. These projects aim to support employment generation and socioeconomic advancement, particularly focusing on equal opportunities. The internal team within the Company's Finance Department will manage proceeds through a portfolio approach, ensuring efficient allocation across multiple projects. A register will be maintained to track the allocation of proceeds, including project details, the amount allocated, project status, and the bank account used to manage the funds. The Company ensures that proceeds are fully allocated within 24 months of bond issuance.

Management of Unallocated Proceeds

Any unallocated funds will be managed conservatively, following the Company's investment policy. These funds will be invested in cash equivalents, government securities, or fixed deposits (excluding socially harmful investments), ensuring both liquidity and capital preservation until full allocation to eligible projects.

Monitoring and Substitution

The Company will continuously monitor the use of proceeds to ensure they are allocated to eligible projects. If a project becomes ineligible or is prematurely concluded, the Company will promptly substitute it with another eligible project to maintain alignment with the Social Bond Framework.

Reporting

Alliance Finance Company PLC is committed to transparent reporting on the use of proceeds and the social impact of funded projects. The company will provide annual reports covering both Allocation Reporting and Impact Reporting, ensuring full transparency in line with the Colombo Stock Exchange (CSE) Listing rules and Harmonized Framework for Impact Reporting of Social Bonds. Reports will be presented on an aggregated level, using a portfolio approach to track fund utilization and project outcomes.

Allocation Reporting

The Company will detail how funds are allocated to eligible projects, providing:

- Total funds allocated during the reporting period.
- Insights into the regional distribution of beneficiaries, focusing on underserved communities in Sri Lanka.

Impact Reporting

Impact reporting will outline measurable social outcomes of funded projects, including key impact reporting indicators aligned with the Harmonized Framework for Impact Reporting for Social Bonds, ensuring consistent and comparable disclosures.

External Review

The Company will obtain a verification in the form of a written report from a recognized External Reviewer to confirm the alignment of its Social Bond Framework with the Social Bond Principles (SBP), June 2023 issued by ICMA. This review will take place before the issuance of the Social Bond, with a post-issuance verification report to evaluate the management and impact of funded projects at the end of the financial year following the issuance of the Social Bond. Both reviews will be publicly disclosed on the Company's website and included in the annual report to ensure transparency and strengthen credibility.

Specific Risks Relating to Objectives of the Social Bond Issue

Dependence on proceeds of the Social Bond Issue to achieve the objective is marginal, as the Company in the ordinary course of business has access to multiple sources of funds such as different types of deposits and borrowings.

The risk of undersubscription of the Social Bond Issue will be greatly mitigated through appointing experienced Managers to the Issue, pre-marketing and building a pipeline of potential investors.

The risk of the Company being unable to utilize the proceeds to achieve the objectives i.e. to fund social projects is minimal, as the Company already has demand from their existing clientele as well as new inquiries for financing such initiatives. Furthermore, there is no specific risk factor that may lead to non-achievement of the objectives within the specified timeline via the proceeds of the Issue up to a maximum of Rupees Two Billion (LKR 2,000,000,000/-).

However, in the highly unlikely event of the Company failing to lend these funds due to an unforeseen reason, these funds would be invested in cash equivalents, T-bills, T-bonds, or FDs (excluding socially harmful initiatives) at the prevailing rates at the time of investments. It is expected that the Social Bond proceeds will be fully allocated within a period of 24 months from the date of allotment of Social Bonds.

The utilization of the proceeds of the Social Bond Issue will be disclosed in the Annual Report and the Interim Financial Statements of the Company in the following format from the Issue Opening Date and until the objectives of the Social Bond Issue are achieved.

Social Bond Issue proceeds utilization as at (dd-mm-yyyy)

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related parties, etc.)
1	Promoting Micro, Small, and Medium Enterprises (MSMEs) and rural entrepreneurs through value chain financing to stimulate economic growth and create employment opportunities.	Maximum issue of LKR 2.0 Bn (Approximately 75% for the first Objective and 25% for the second Objective)	Over a period of 24 months from the Date of Allotment	To be disclosed in the Annual Report and the Interim Financial Statements				
2	Providing microfinance to marginalized and underserved communities who lack access to traditional financial services, empowering them to improve their livelihoods and financial stability. This product is exclusively offered to women borrowers.		Over a period of 24 months from the Date of Allotment					

In the event the funds raised through the Social Bond Issue are fully utilized by the Company in terms of the objectives disclosed in the Prospectus between two financial periods, the Company to disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first as per the above template.

The Company will make immediate disclosures in the instances which are specified under item 34 of Appendix 8A of Section 8 of the CSE listing Rules. The Company will comply with the requirements stipulated under continuous listing rules of the CSE specifically applicable to Social Bonds.

The Company will submit a report on the utilization of proceeds of the Social Bond to the CSE as per the tracking done by the Company using the internal process duly signed by two directors of the Company for dissemination to the market on a quarterly basis along with the quarterly financial statements of the Company and within twelve (12) months from the date of issuance of the Social Bond and thereafter on an annual basis along with the Annual Report of the Company until the proceeds allocated to the Social Project/s are fully utilized.

5.4 PAYMENT OF INTEREST

The Social Bonds will carry a fixed rate of interest as described below, payable on the respective Interest Payment Dates:

Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency
A	Fixed Rate	4 years	11.15% p.a.	11.15 %	Annually
B	Fixed Rate	5 years	11.40% p.a.	11.40 %	Annually

The interest rate has been determined giving consideration to the instrument rating, market conditions and features of the instrument.

Interest on the Social Bonds accruing on a daily basis will be paid annually as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Social Bonds for a particular Interest Period will be calculated based on the actual number of days in such Interest Period (actual/actual) and will be paid not later than three (03) Working Days from each Interest Payment Date.

In order to accommodate the Social Bond interest cycles in the CDS System of the CSE, the payment of interest on a particular Interest Payment Date will include Social Bond Holders holding Social Bonds in the CDS as of the Entitlement Date.

Please refer Section 5.5 for details on taxes applicable for Social Bonds.

5.5 APPLICATION OF TAX ON INTEREST PAYMENTS

Interest on the Social Bonds will be paid after deducting any taxes and charges thereon (if any) as per the applicable laws prevalent at the time of interest payment to the Social Bonds Holders.

5.6 REDEMPTION OF SOCIAL BONDS

Redemption of the Social Bonds will take place on Four (04) years from the Date of Allotment for Type A Social Bonds and Five (05) years from the Date of Allotment for Type B Social Bonds in accordance with the provisions of the Trust Deed. The Principal Sum and unpaid and accrued interest (if any) payable on the Redemption of Social Bonds will be paid not later than three (03) Working Days from the Date of Redemption.

If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and interest shall be paid for each calendar day up to the date immediately preceding such Market Day. It should be noted that no interest on interest would be payable for the aforesaid interim period.

These Social Bonds shall not be redeemed by the Company prior to maturity for any reason whatsoever except due to the occurrence of an Event of Default contemplated in Clause 10 and Enforcement Action in Clause 12 of the Trust Deed.

5.7 PAYMENT METHOD

Payment of principal and interest will be made after deducting taxes at source, (if applicable) in Sri Lanka Rupees to the registered Social Bond Holders only as of the Entitlement Date. In the case of joint Social Bond Holders, the payment of Principal Sum and interest will be made to the one whose name stands first in the register of Social Bond Holders on the date of payment.

In the event accurate bank account details are provided to the CDS by the Social Bond Holders, the payment of Principal Sum and interest shall be made to Social Bond Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as RTGS (arranged only at the expense of the investor) or SLIPS. RTGS transfers however shall be accommodated only for amounts over and above the maximum value of Rupees Five Million (LKR 5,000,000/-) that can be accommodated via SLIPS transfers.

If the Social Bond Holder has not provided to the CDS accurate and correct details of his/her/its/their bank account for the payment of Principal Sum and interest, such payment to the Social Bond Holder will be posted to the address registered with the CDS through registered post to the Social Bond Holder, by crossed cheques marked "Account Payee Only". Interest payable will be made only by cheques within three (03) Market Days from the end of each period.

It is the responsibility of the Non-Resident and Foreign Investors to ensure that their IIA through which they invest for Social Bond is recorded correctly against the records in CDS to dispatch their Social Bond interest payments.

5.8 TRUSTEE TO THE ISSUE

Company has entered into an agreement with Hatton National Bank PLC who will act as Trustee to the Issue. Social Bond Holders in their Application Forms for subscription will be required to authorize the Trustee, to act as the agent in entering into such deeds, writings and instruments with the Company and to act as the Agent and Trustee for the Social Bond Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Social Bonds will be subject to the terms and conditions incorporated in the said Trust Deed.

The fee payable to the Trustee will be Sri Lanka Rupees Fifty Thousand (LKR 50,000/-) per month excluding government taxes and levies. Trustee/its directors have no conflict of interest with the Company.

In the event the Trustee subscribes to the Social Bond Issue, the Company will make an immediate announcement to the market giving out information on the number of Social Bonds acquired by the Trustee.

5.9 INDEPENDENT EXTERNAL REVIEWER

The Company has appointed Deloitte Associates Sri Lanka as the Independent External Reviewer for the issuance. The Independent External Reviewer has agreed to provide a verification in the form of a written report (Annexure II) for Alliance Finance Company PLC's Social Bond Framework, in accordance with the Social Bond Principles – Voluntary Process Guidelines for Issuing Social Bonds (June 2023) issued by the International Capital Market Association (ICMA). The Independent External Reviewer has no conflict of interest with the Company and remains fully independent until the Social Bonds reach maturity.

Key Personnel involved in the verification report provided by the Independent External Reviewer:

- Chathumin Gunarathne (Partner)
- Madura Gunasekara (Partner)
- Ruvini Subasinghe (Senior Manager)
- Vishwa Weerasekara (Deputy Manager)

Past Experience of the Independent External Reviewer:

Deloitte Associates Sri Lanka is a member of Deloitte Touche Tohmatsu Limited. Deloitte member firms bring extensive experiences in delivering GSS+ bond verification services. Some of the engagements carried out by the Deloitte member firms are as follows.

Name of Client	Year	Type of Bond	Internationally recognized market standards, principles, and guidelines (e.g. ICMA GBP, ASEAN GBS, CBI CBS)	Project Categories
Belfius Bank SA/NV	2025	Social Bond	International Capital Market Association (ICMA)'s Social Bond Principles ("SBP") 2023 edition.	Access to essential services, Affordable Housing, Socio Economic advancement and empowerment
Severn Trent PLC	2022	Sustainable Bond	ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), and the LMA Green Loan Principles (GLP) and Sustainability Linked Loan Principles (SLLP)	Affordable basic infrastructure, Socioeconomic advancement and empowerment
Fraser Logistics and Commercial Trust	2021	Sustainable Bond	Green Bond Principles ("GBP") 2021, Sustainability Bond Guidelines ("SBG") 2021 and Sustainability Linked Bond Principles ("SLBP") 2020 issued by the International Capital Market Association, and the Green Loan Principles ("GLP") 2021 and Sustainability Linked Loan Principles ("SLLP") 2021 issued by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association	Real estate / Green Buildings
Fraser Centrepont Trust	2021	Sustainable Bond	Green Bond Principles ("GBP") 2021, Sustainability Bond Guidelines ("SBG") 2021 and Sustainability Linked Bond Principles ("SLBP") 2020 issued by the International Capital Market Association, and the Green Loan Principles ("GLP") 2021 and Sustainability Linked Loan Principles ("SLLP") 2021 issued by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association	Real estate / Green buildings

Name of Client	Year	Type of Bond	Internationally recognized market standards, principles, and guidelines (e.g. ICMA GBP, ASEAN GBS, CBI CBS)	Project Categories
Frasers Property Australia Pty Limited ("FPA") and Frasers Property Industrial Australia Pty Limited ("FPIA")	2021	Sustainable Bond	Green Bond Principles ("GBP") 2021, Sustainability Bond Guidelines ("SBG") 2021 and Sustainability Linked Bond Principles ("SLBP") 2020 issued by the International Capital Market Association, and the Green Loan Principles ("GLP") 2021 and Sustainability Linked Loan Principles ("SLLP") 2021 issued by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association	Real estate / Green
KB Financial Group	2020	Social Bond	Social Bond Principles and Sustainability Bond Guidelines, which are international standards enacted by the International Capital Market Association	<ul style="list-style-type: none"> • Basic infrastructure • Basic services • Finance to supply housing to the vulnerable and low-income groups • Finance for housing tenants for the vulnerable and low-income groups • Finance for the low-income class and vulnerable groups • Creating jobs • Supporting SMEs • Supporting startups and ventures • Supporting social enterprises

Key members who have involved in the external verification for Alliance Finance Company PLC are having experiences in delivering external audit and sustainability verification services for listed and multinational companies including non-banking financial institutions.

The pre-issuance verification engagement covered key aspects of the Social Bond Framework, ensuring alignment with the ICMA Social Bond Principles (SBP) 2023 and its Pre-Issuance Requirements.

The scope of pre-issuance verification engagement included information on material aspects of the Social Bond

Framework which formed the basis for the proposed social bond based on the Pre-Issuance Requirements set out in the ICMA Social Bond Principles (SBP) 2023 as listed below:

- Use of Proceeds
- Process for Project Evaluation & Selection
- Management of Proceeds
- Reporting

5.10 RATING OF THE SOCIAL BOND

Lanka Rating Agency Limited has assigned a credit rating of BBB to Listed, Rated, Unsecured, Senior, Redeemable Social Bonds of up to Rupees Two Billion (LKR 2,000,000,000/-). A copy of the rating certificate is given in Annexure I of this Prospectus.

The Company's entity rating as issued by Lanka Rating Agency Limited is BBB as per the rating action commentary dated 2nd April 2024.

The Company will undertake to keep the Trustee and the CSE informed and take steps to make an immediate market announcement on any change to the credit rating of Social Bonds.

5.11 RIGHTS AND OBLIGATIONS OF THE SOCIAL BOND HOLDERS

a) Social Bond Holders are entitled to the following rights:

- Receive the interest on the Interest Payment Dates at the interest rate set out in Section 5.4 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.6 of this Prospectus.
- Ranking equal and *pari passu* with unsecured creditors in the event of liquidation of the Company and above the subordinated debt holders, preference shareholders and ordinary shareholders.
- Call and attend meetings of Social Bond Holders as set out in the Trust Deed.
- Receive a copy of the Annual Report within five (05) months from the financial year end at the same time and in the same manner as an ordinary voting shareholder would receive the same.
- The other rights of the holders of these Social Bond as set out in the Trust Deed.
- In the event of any Social Bond Holders dissenting to the resolution/s passed at the meeting of the Social Bond Holders referred to in Section 7 of the CSE Listing Rules, the Company shall pay the maturity proceeds relating to the Social Bonds held by such dissenting Social Bond Holders within seven (07) Market Days from the meeting of the Social Bond Holders.

b) Social Bond Holders do not have the following rights:

- Attend and vote at meetings of holders of shares.
- Share the profits of the Company.
- Participate in any surplus in the event of liquidation.
- Calling for Redemption before maturity, subject to the provisions stated in the Trust Deed.

c) Each Social Bond Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Social Bond Holder shall absolve the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS. Provided further that the Social Bond Holder shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Social Bond Holders.

5.12 BENEFITS OF INVESTING IN SOCIAL BONDS

- a) Provides an opportunity to diversify the investment portfolio of the Investor.
- b) Provides the Investor with a regular cash inflow of interest payments.
- c) Being listed on the CSE, the Social Bonds will have a secondary market thus providing the Investor with an opportunity to exit at the market price prevailing at the time of divestiture subject to market conditions.

- d) The Social Bonds may be used as collateral to obtain credit facilities from banks and financial institutions with the exception of the issuing Company.
- e) Investing in Social Bonds allows investors to align their investments with their values. It enables them to contribute to social projects while potentially enhancing their reputation as socially responsible investors.

5.13 RISKS INVOLVED IN INVESTING IN SOCIAL BONDS

Subscribers to the Social Bonds could be exposed to the following risks.

(a) Interest Rate Risk

Provided all other factors are equal, the market price of the Social Bonds will generally fluctuate in the opposite direction to the fluctuation in market interest rates. Thus, the interest rate risk could be identified as the reduction in the market price of Social Bonds resulting from a rise in interest rates.

(b) Reinvestment Risk

Interest on the Social Bonds are payable annually. An Investor may decide to reinvest these interest payments and earn interest from that point onwards. Depending on the prevailing interest rates at the point of reinvestment, the risk of returns generated by Social Bond Holders by reinvesting such interest received being higher or lower than the return offered by the Social Bonds is known as reinvestment risk.

(c) Duration Risk

Duration is a measure of the price sensitivity of fixed income investments to a change in interest rates based on the time to maturity of principal and coupon payments. The higher the duration, the greater the price volatility or duration risk, while a lower duration carries a lower risk.

(d) Credit Risk

Credit risk is also referred to as default risk. This is the risk that the issuer of a Social Bond may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of rating assigned by different rating agencies. Lanka Rating Agency Limited has assigned a Rating of BBB to these Social Bonds and will be periodically reviewing the same.

(e) Liquidity Risk

Liquidity risk is associated with the ease in which an investment can be sold after the initial placement. In order to reduce the liquidity risk of the Social Bonds, the Company has applied for a listing of these Social Bonds on the CSE and has received in-principle approval for such listing whereby Social Bond Holders will be able to sell the Social Bonds through the CSE in order to convert the Social Bonds to cash and exit from the investment. Furthermore, it should be noted that the secondary debt market is not as developed as the secondary equity market in Sri Lanka.

(f) Social Bond Risk

ICMA's Social Bond Framework serves as a key benchmark for assessing the social credentials of bonds. When issuing a Social Bond on the CSE, issuers are required to obtain a verification in the form of a written report from an external reviewer to confirm that the Social Bonds meet the said standards. However, there may be challenges in evaluating the actual social benefits claimed by social bond issuers. In the event, the external reviewer cannot confirm that the funds have been utilized for intended objectives as per Section 7 of the CSE Listing Rules, dissenting options will be provided to debt holders, allowing them to redeem their bonds early. As a result, the CSE will no longer recognize such Debt Securities as Social Bonds.

This non-recognition could lead the Company to modify the existing features of the proposed Social Bonds and any associated benefits

(g) Generic Risks

- (i) The ability to transfer the Social Bonds may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Social Bonds

In Sri Lanka the secondary trading activity in the corporate debt market is limited. There can be no assurance that an active secondary trading market will develop. If the Social Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Company.

Even if an active secondary trading market does develop, it may not be liquid and may not continue. Therefore, Investors may not be able to sell their Social Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the secondary market for the Social Bonds is limited, there may be few buyers for the Social Bonds and this may significantly reduce the relevant market price of the Social Bonds.

- (ii) Credit ratings may not reflect all risks associated with an investment in the Social Bonds

A credit rating reflects a relative ranking of credit risk and does not reflect the potential impact of all risks related to the structure, market, additional factors discussed herein, and other factors that may affect the value of the Social Bonds.

- (iii) A Downgrade, suspension or withdrawal of the rating assigned by any rating agency to the Social Bonds could cause the liquidity or market value of the Social Bonds to decline

The Social Bonds are currently rated 'BBB'. Any downgrade, suspension, or withdrawal of this rating may negatively impact the market value and liquidity of the Bonds. If the rating falls below Investment Grade, the Bonds will be transferred to the Watch List of the Colombo Stock Exchange (CSE) within five market days of the downgrade announcement, as per the CSE Listing Rule 7.12.2. The Bonds will be removed from the Watch List only once the rating is upgraded back to Investment Grade and disclosed to the market. Credit ratings are not investment recommendations and may change at any time.

- (iv) Changes in law, or changes in regulatory classification may affect the rights of holders as well as the market value of the Social Bonds

The regulatory regime in connection to these instruments is evolving. Changes in law may include change in statutory, tax and regulatory regimes during the life of the Social Bonds, which may have an adverse effect on the investment in the Social Bonds.

5.14 TRANSFER OF SOCIAL BONDS

The Social Bonds will be transferable and transmittable in the manner set out in the Trust Deed, which is reproduced below;

- (a) These Social Bonds shall be freely transferable amongst Investors and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements. Furthermore, Social Bonds are fully paid and issued only for cash.
- (b) The Social Bonds shall be transferable and transmittable through the CDS as long as the Social Bonds are listed in the CSE. Subject to the provisions contained in the Trust Deed and herein the Company may register without assuming any liability on any transfer of Social Bonds, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE and the CDS.
- (c) In the case of death of a Social Bond Holder;
 - (i) The survivor where the deceased was a joint holder; and
 - (ii) The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased where such Social Bond Holder was the sole or only surviving holder; shall be the only persons recognized by the Company as having any title to his/her Social Bonds.
- (d) Any person becoming entitled to any Social Bonds in consequence of bankruptcy or winding up of any Social Bond Holder, upon producing proper evidence that he/she/it sustains the character in respect of which he/she/it proposes to act or his/her title as the Board of Directors of the Company thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Social Bond Holder in respect of such Social Bonds subject to the applicable laws, rules and regulations of the CSE and CDS and Articles of Association of the Company.
- (e) No change of ownership in contravention to these conditions will be recognized by the Company.

5.15 LISTING

An application has been made to the CSE for permission to obtain a listing for the Social Bonds and the CSE has granted its approval in-principle for the same. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules. It is the intention of the Company to list the Social Bonds on the CSE upon the allotment thereof. However, the Social Bonds will be listed, only if compliant with the CSE Listing Rules, at the time of listing.

The CSE however, assumes no responsibility for the correctness of the statements made or omitted statements or opinions expressed, or reports included in this Prospectus. If there is any inconsistency between the contents under the Prospectus and the CSE Listing Rules, the CSE Listing Rules will prevail. Admission to the official list is not to be taken as an indication of the merits of the Company or of its Social Bonds.

5.16 COST OF THE ISSUE

The Board of Directors estimates that the total cost of the Issue including fees to professionals, printing, advertising and other costs connected with the Issue will be approximately LKR 17 Million which would be approximately 0.85% of the amount raised if LKR 2.0 Billion is raised. Such costs will be financed by the internally generated funds of the Company.

5.17 BROKERAGE FEE

Brokerage fee of Fifteen Cents (LKR 0.15) per Social Bond shall be paid in respect of the number of Social Bonds allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a trading participants of the CSE or any other party identified by the Company and/or Managers and Placement Agents as involved in the Issue.

5.18 UNDERWRITING

This Issue is not underwritten.

The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Company is confident that any short fall in the funds required to meet the objectives of the Issue can be financed through internally generated funds and other credit facilities that could be obtained by the Company, at its discretion depending on the situation.

5.19 INSPECTION OF DOCUMENTS

Articles of Association, the Trust Deed, Auditors' Report and Audited Financial Statements for the five (05) financial years ended 31st March 2025 (i.e. the five (05) financial years immediately preceding the date of this Prospectus), Interim Financial Statements and all other documents referred to in Rule 3.3.13 (a) of the CSE Listing Rules, including material contracts and management agreements entered or in the case of contracts not reduced into writing, a memorandum giving full particulars thereof by the Company if any, would be made available for inspection by the public during normal working hours, seven (07) Market Days prior to the date of opening of the subscription list at the registered office of the Company at Alliance House, No. 84, Ward Place, Colombo 07, Sri Lanka until the Date of Redemption of the Social Bonds.

The Prospectus, Trust Deed and the Articles of Association of the Company, will be available on the website of the CSE, www.cse.lk and the website of the Company, www.alliancefinance.lk from seven (07) Market Days prior to the date of opening of the subscription list until the date of maturity of the Social Bonds as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

Audited financial statements of Alliance Finance Company PLC made up to 31st March 2025, Accountants Report and the five year summary of financial statements will be available on the website of the CSE, www.cse.lk and the website of the Company, www.alliancefinance.lk

6 PROCEDURE FOR APPLICATION

6.1 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Social Bonds from the following categories of Investors.

- Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age; or
- Corporate bodies and societies incorporated or established within Sri Lanka; or
- Approved Unit Trusts licensed by the SEC; or
- Approved Provident Funds and contributory pension schemes registered/incorporated/established in Sri Lanka. (In this case, Applications should be in the name of the Trustee/Board of Management in order to facilitate the opening of the CDS account.)
- Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- Global, regional and country funds approved by the SEC; or
- Non-residents: foreign institutional investors, corporate bodies incorporated or established outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Please note that Applications made by **individuals less than 18 years of age** or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies** will be rejected.

“Persons resident outside Sri Lanka” will have the same meaning as in the notice published under Section 31 (3) of the Foreign Exchange Act No. 12 of 2017 in Government Gazette (Extraordinary) No. 2045/56 dated 17th November 2017.

When permitting Non-Residents to invest in the Social Bonds, the Company will comply with the relevant Foreign Exchange Regulations including, the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Social Bonds of companies incorporated in Sri Lanka to persons resident outside Sri Lanka as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17th November 2017.

6.2 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection at the Registered Office of the Company and also issued free of charge by the parties listed in Annexure IV of this Prospectus. The Application Form can also be downloaded from the website of the CSE, www.cse.lk, the website of the Company, www.alliancefinance.lk and the web site of the Managers and Placement Agents to the Issue, www.ndbib.com until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of the CSE, www.cse.lk, the website of the Company, www.alliancefinance.lk until the date of redemption of the Social Bonds and the web site of the Managers and Placement Agents to the Issue, www.ndbib.com until the Closure Date.

Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.

- (b) Applicants should apply for only one type of Social Bond (i.e. either Social Bonds of Type A or Type B) under one Application.
- (c) In the event an Applicant wishes to apply for more than one type of Social Bond, separate Application Forms should be used. Once an Application Form has been submitted for a particular Type of Social Bond, it will not be possible for an Applicant to switch between the types of Social Bonds.
- (d) More than one Application submitted by an Applicant under the same type of Social Bond will not be accepted. If more than one Application Forms are submitted for one type of Social Bond from a single Applicant, those would be construed as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- (e) If the ownership of the Social Bonds is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (f) An Applicant of a joint Application will not be eligible to apply for the Social Bonds through a separate Application Form either individually or jointly. Such Applicants are also deemed to have made multiple Applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Company shall not be bound to register more than three (03) natural persons as joint holders of Social Bonds (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (g) Applications by companies, corporate bodies, incorporated societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Social Bonds and should be made under their respective common seals or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the Trustee/board of management.
- (h) All Applicants should indicate in the Application for Social Bonds, their CDS account number. In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

In the case of joint Applicants, a joint CDS account in the name of the joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (i) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the “Margin Provider / Applicant’s name” signed by the margin provider, requesting a direct deposit of the Social Bonds to the Applicant’s margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can, apply under their own name and such Applications will not be construed as multiple Applications.

- (j) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as “True Copy” should be attached with the Application Form. **Original of the POA should not be attached.**

- (k) As per the Foreign Account Tax Compliance Act (FATCA) “US Persons” must provide the duly completed declaration as per the specimen given in Annexure VI together with the Application Form. Under the provisions of FATCA, “US Persons” include;

- US Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
- A lawful citizen of the U.S. (including Green card holders)
- A person residing in the U.S.
- A person who spends certain number of days in the U.S. each year
- U.S. Corporations, estates and trusts
- Any entity that has a linkage or ownership to U.S. or the U.S. territories
- Non U.S. entities that have at least one U.S. Person as a “substantial beneficial owner”

- (l) Funds for the investments in Social Bonds and the payment for Social Bonds by Non-Residents should be made only out of funds received as inward remittances or available to the credit of “Inward Investment Account” (IIA) of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

Applications not made in line with the instructions will be rejected.

- (m) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Social Bonds and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Social Bonds, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope Marked “**ALLIANCE FINANCE COMPANY PLC - SOCIAL BOND ISSUE 2025**” on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the Issue or collection points mentioned in Annexure IV of this Prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure IV of this Prospectus should reach the office of the Registrar to the Issue, S S P Corporate Services (Private) Limited, 101, Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

Applications delivered by hand to the Registrars to the Issue after the Closure Date of the Issue will also be rejected.

Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form.

Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT ALLOTMENT OF SOCIAL BONDS WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF THE APPLICATION.

Please note that upon the allotment of Social Bonds under this Issue, the allotted Social Bonds would be credited to the Applicant's CDS account so indicated.

Hence, SOCIAL BOND CERTIFICATES SHALL NOT BE ISSUED.

6.3 NUMBER OF SOCIAL BONDS TO BE SUBSCRIBED

Applicants are allowed to invest either;
Social Bonds of Type A; and/or
Social Bonds of Type B;

Applicants may invest in the Social Bonds subject to a minimum of One Hundred (100) Social Bonds Sri Lanka Rupees Ten Thousand (LKR 10,000/-) and in multiples of One Hundred (100) Social Bonds Sri Lanka Rupees Ten Thousand (LKR 10,000/-) thereafter.

6.4 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS

- (a) Payment in full for the total value of Social Bonds applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka or an Internal Direct Transfer, as the case may be, subject to the following:

- (b) Payments for Applications for values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-)

Payment methods that are acceptable;

- Bank guarantee issued by a licensed commercial bank; or
- Bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka only

However, **multiple** bank guarantees or bank drafts/cheques will not be accepted for Applications for values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-)

Payment methods that are **not** acceptable:

- RTGS

- (c) Payments for Applications for values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-)

Payment methods that are acceptable;

- Bank guarantee issued by a licensed commercial bank; or
- Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
- RTGS / Internal Direct transfer with value on the Issue Opening Date.

In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be accepted.

For all the Applications Cash and SLIPS/CEFTS transfers will **NOT** be accepted as a mode of payment to ensure the accuracy of the application submission process, bank reconciliation process and timely allocation of Social Bonds within the given timelines.

- (d) Cheques or bank drafts should be made payable to **“AFC SOCIAL BOND”** and crossed **“Account Payee Only”** and must be honoured on the first presentation.
- (e) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **“AFC SOCIAL BOND”** in a manner acceptable to the Company, and be valid for a minimum of one (01) month from the Issue Opening Date 21st August 2025.

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (f) In case of RTGS and Internal Direct Transfers (only for application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the transfers should be made to the credit of the following bank account with value on the Issue Opening Date (i.e. the funds to be made available to the above account on the Issue Opening Date).

Account Name	AFC SOCIAL BOND
Account Number	111000229896
Bank	National Development Bank PLC (Bank Code - 7214)
Branch	Navam Mawatha (Branch Code - 001)

The Applicant should obtain a confirmation from the Applicant's bank to the effect that arrangements have been made to transfer payment in full for the total value of Social Bonds applied for to the credit of the above bank account and should be attached with the Application Form.

It is mandatory to provide the CDS Account Number as the transaction reference for RTGS transfers.

For RTGS transfers/ Internal Direct transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of two decimal five zero per centum (2.50%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers/ Internal Direct transfers are not realized before the end of the Closure Date. Furthermore, even if such RTGS transfers/ Internal Direct transfers are effected prior to the Issue Opening Date, no interest will be paid for the period prior to the Issue Opening Date.

- (g) Payment for the Social Bonds by Non-Residents should be made only out of funds received as inward remittances or available to the credit of "Inward Investment Account" (IIA) maintained with any licensed commercial bank in Sri Lanka in accordance with directions given by the Director Department of Foreign Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (h) In the event that cheques are not realized within one (01) Market Day of deposit, the monies will be refunded and no allotment of Social Bonds will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (i) The amount payable should be calculated by multiplying the number of Social Bonds applied for by the Par Value Sri Lanka Rupees One Hundred (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/ Internal Direct Transfer, the Application will be rejected.
- (j) All cheques/bank drafts received in respect of the Applications for Social Bonds will be banked commencing from the Working Day immediately following the Closure Date.

6.5 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantees RTGS/Internal Direct Transfer, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Company.

Applications from individuals and Sri Lankans residing outside Sri Lanka who are under the age of eighteen (18) years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number, will be rejected.

More than one Application Form submitted under one type of Social Bond by an Applicant will not be accepted. If more than one Application Form is submitted under one type of Social Bond by a single Applicant, those would be considered as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.

Any Application Form with more than three (03) natural persons as joint Applicants for any type of Social Bond will be rejected.

Applications delivered by hand or via email to the Registrars to the Issue after the 'Closure Date' will be rejected. Applications received at the Registrar's office by post or courier after 4.30 p.m. on the Market Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.

Applications delivered to any place mentioned in Annexure IV should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closure Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date.

In the event that cheques are not realized within one (01) Market Day of deposit and realized after such date, the monies will be refunded and no allotment of Social Bonds will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

6.6 BANKING OF PAYMENTS

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closure Date as set out in Section 5.2 of this Prospectus, in terms of the CSE Listing Rules.

6.7 BASIS OF ALLOTMENT OF SOCIAL BONDS

In the event of an over subscription, the Board of Directors of the Company will endeavour to decide the basis of allotment in a fair and equitable manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE, within seven (07) Market Days from the Closure Date.

The Board however shall reserve the right to allocate up to a maximum of 75% of the number of Social Bonds to be allotted under this Issue to institutional and or identified investor/s of strategic importance with whom the Company might have mutually beneficial relationships in the future.

Number of Social Bonds to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Social Bonds to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).

The Company reserves the right to reject any Application or to accept any Application in part only, without assigning any reason therefor.

6.8 REFUNDS

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.5 of this Prospectus; or
- the Application is accepted only in part.

The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque).

If the Applicant has provided accurate and complete details of his/her/its bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment will be sent through RTGS in the event of refunds over Rupees Five Million (LKR 5,000,000/-).

If the Applicant has provided accurate and correct details of his/her bank account refunds will be made via Slips /RTGS or if the Applicant has not provided accurate and correct details of his/her bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant. In the case of joint Applications, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

It is the responsibility of Non-Residents/Foreign Investors to ensure that their IIA details are accurately provided on the Application Form to forward the refund to IIA through which the Application was made.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIPS/RTGS transfers at the following website; <https://www.lankapay.net/downloads/bank-branch-directory/>

Refunds on Applications rejected or partly allotted Social Bonds would be made within eight (08) Market Days excluding the Closure Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made within this period.

6.9 CDS ACCOUNTS AND SECONDARY MARKET TRADING

Social Bonds allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Social Bonds.

Trading of Social Bonds on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7 THE COMPANY

7.1 OVERVIEW

Alliance Finance Company PLC, has a history of over 65 years, dedicated to serving its loyal customers while promoting financial inclusion and sustainability. The Company which was established in 1956 as a licensed finance company registered under the Central Bank of Sri Lanka and approved and registered under the Finance Companies Act No 07 of 2007 currently operates through a network of 90 locations. The main product portfolio of the Company includes Leasing, Vehicle Loans and Gold Loans.

Environmental and sustainability initiatives are central to the Company's sustainability strategy, reflecting the company's commitment to advancing both local and global sustainability goals. The Company is committed to advancing the United Nations Sustainable Development Goals by fully integrating them across the Company, ensuring value creation for all stakeholders.

The Company operates under the authority of the license issued by Monetary Board of Central Bank of Sri Lanka. The license issued is a continuous license and does not have an expiry date. However, the licenses should be renewed annually by the payment of a license fee. The Company has paid the annual license fee up to date.

7.2 FINANCIAL YEAR

The financial year of the Company commences on 01st April and ends on 31st March.

7.3 STATED CAPITAL

The stated capital of the Company represents ordinary shares as given below.

Stated Capital	As at 31 st March 2023	As at 31 st March 2024	As at 31 st March 2025
Balance (LKR)	613,980,000	613,980,000	613,980,000
Number of Shares	33,696,000	33,696,000	33,696,000

7.4 MAJOR SHAREHOLDERS AS AT 31st MARCH 2025

Twenty (20) largest shareholders of the Company as at 31st March 2025 are given below:

No	Name	No. of Shares	%
1	MR.R.K.E.P. DE SILVA	12,423,830	36.87
2	MOTOR SERVICE STATION (PVT) LTD	4,647,133	13.79
3	MRS D.M.E.P. PERERA	2,564,862	7.61
4	MR.D.F.W.S.K. PERERA & MR.D.F.W. PERERA (JOINT)	1,483,984	4.40
5	ORIENT HOTELS LTD	1,358,323	4.03
6	MRS.S.E. CANEKERATNE	612,268	1.82
7	J B COCOSHELL (PVT) LTD.	596,066	1.77
8	MR.D.L.S.R. PERERA	412,266	1.22

No	Name	No. of Shares	%
9	MRS.C.R. DE SILVA	374,400	1.11
10	MR. D.F.W. PERERA	363,243	1.08
11	MS.D.C.M.A. PERERA	361,042	1.07
12	HATTON NATIONAL BANK PLC/MR.K.K. SHUJEEVAN	334,434	0.99
13	MS.D.D.P.T. PERERA	319,384	0.95
14	MRS.P.N. WETHTHASINGHE	299,975	0.89
15	MR.G.P. KAPILASENA	201,180	0.60
16	MRS.K.G.G.S.L. PERERA	201,066	0.60
17	MRS.N.U. SILVA	172,105	0.51
18	MRS.C. YOGAGOPALAKRISHNAN & MRS.Y. THIRUKUMAR	155,920	0.46
19	MR.W.G.D.C. RANAWEERA	149,384	0.44
20	MR.D.L.S.R. PERERA & MRS. D.C.M.A PERERA	146,290	0.43
	Balance held by other Shareholders	6,518,845	19.35
	Total number of shares in issue	33,696,000	100

7.5 DETAILS OF OTHER DEBT SECURITIES IN ISSUE

The details of other debt securities issued by Alliance Finance Company PLC as at the date of this Prospectus are given in the table below;

Year of Issuance	CSE listing	Ranking	Green Bond Code	Issue Value (LKR)	Interest Rate (p.a.)	Tenor	Issue Date	Maturity Date
2025	Listed	Senior	ALLI-BD-20/02/28-C2560-10.75	1,000 Mn	10.75% payable semi-annually	36 months	21 st Feb 2025	21 st Feb 2028

7.6 PARTICULARS OF LONG-TERM LOANS AND OTHER BORROWINGS OF THE COMPANY

As at 31st March 2024 and 31st March 2025 the outstanding long-term loan and other borrowings balances are given in the table below;

	LKR
Balance as at 31 st March 2024	20,310,185,391
New borrowings / (settlements)	11,043,933,255
Balance as at 31 st March 2025	31,354,118,646

Borrowings of the Company as at 31st March 2024 and 31st March 2025 comprise of the following;

	As at 31 st March 2024 LKR	As at 31 st March 2025 LKR
Due to banks		
Bank Overdrafts	1,320,679,267	3,578,665,825
Securitized Borrowing	4,407,829,885	3,994,646,687
Direct Bank Borrowings-Term Loan	10,071,128,604	14,985,282,922
Direct Bank Borrowings-Syndication 02-Sub Debt	1,043,866,047	2,522,355,753
Foreign Currency Borrowings	3,466,681,588	5,260,760,659
Debentures	-	1,012,406,801
Total	20,310,185,391	31,354,118,646

7.7 DEBT SERVICING DETAILS OF THE COMPANY

LKR '000	31 st March 2020	31 st March 2021	31 st March 2022	31 st March 2023	31 st March 2024	31 st March 2025
Gross Interest due on debentures	Nil	Nil	Nil	Nil	Nil	12,406,801
Debenture interest paid on due date	Nil	Nil	Nil	Nil	Nil	Nil*
Debenture interest paid after the due date	Nil	Nil	Nil	Nil	Nil	Nil
Debenture interest not paid as of to date	Nil	Nil	Nil	Nil	Nil	Nil

* The initial interest payment due date will fall on a subsequent date.

7.8 CONTINGENT LIABILITIES OF THE COMPANY

The details of the contingent liabilities as at 31st March 2024 and 31st March 2025 are given below;

Commitments and Contingencies	As at 31 st March 2024	As at 31 st March 2025
Contingencies		
Department of Inland Revenue *	820,316,741	1,493,791,560
Financial guarantees		
Tax Appeal Commission	-	-

Hotel Developers (Lanka) Ltd	-	-
Central Engineering Services (Private) Limited	350,000	-
Mrs. Arnila Thambiayah	-	12,574,852
Sri Lankan Air Lines	-	1,512,000
Total	820,666,741	1,507,878,412

* The above represents the tax assessments issued by the Department of Inland Revenue. The Company has formally objected to the tax assessments stating the reasons on which the Company believes that assessments are arbitrary and excessive. Company has also actively engaged with the Department of Inland Revenue to conclude these pending assessments.

7.9 LITIGATION AND DISPUTES

In the normal course of business, the Company is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. As of the date of the Statement of Financial Position 31st March 2025, twenty two (22) clients have filed cases against the company. However, the Company's legal counsel is of the opinion that the Company does not have any legal, arbitration or mediation proceedings which may have or have had in the recent past significant effects on the Company's financial position, future operations or profitability.

7.10 KEY FINANCIAL RATIOS

Capital Adequacy Ratio (CAR)

	31.03.2020	31.03.2021	31.03.2022	31.03.2023	31.03.2024	31.03.2025
Capital adequacy - Tier 1 Capital Ratio % *	9.86	11.38	11.67	12.42	12.07	11.60
Capital adequacy - Total capital ratio % *	12.97	14.00	15.07	16.55	14.38	16.06

Interest Cover and Debt to Equity Ratio

	31.03.2020	31.03.2021	31.03.2022	31.03.2023	31.03.2024	31.03.2025
Debt / Equity Ratio (Times) *	6.02	4.49	5.70	6.24	6.03	7.31
Interest Cover Ratio (Times) **	1.25	1.55	2.10	1.18	1.32	1.63

** Debt/ Equity Ratio = Borrowings of the Company including customer deposits
Shareholder Funds*

*** Interest Cover Ratio = Operating Profit before Taxes on Financial Services + Interest Expense
Interest Expense*

(A deviation from the standard formula (EBIT divided by interest charges) is seen here owing to the fact that company's main income and expense sources are interest income and interest expense respectively.)

7.11 TAXATION

The Company is not enjoying any tax exemptions as at the date of the Prospectus.

7.12 FINANCIAL STATEMENTS & FINANCIAL SUMMARY

The following financial information is hosted on the Company's website, www.alliancefinance.lk and, the CSE website www.cse.lk;

- Audited financial statements of Alliance Finance Company PLC as at 31st March 2025
- Summarized financial statement for the five years ended 31st March 2021 to 31st March 2025 preceding the date of the Application stating the accounting policies adopted by the Company certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

8 BOARD OF DIRECTORS

8.1 DETAILS OF THE DIRECTORS

The details of the Board of Directors of Alliance Finance Company PLC as at the date of this Prospectus are given below:

Name of Director	Executive / Non- Executive/ Independent/ Non-Independent
Mrs. G.S.T. Dharmakirti Herath	Chairperson – Non-Executive / Independent
Mr. R.K.E.P. de Silva - F.I.C.M.(SL)	Deputy Chairman / Managing Director
Mr. W.P.K. Jayawardana - CFA, MBA, ACMA. CGMA	Deputy Managing Director- Executive
Mr. M.J Benedict - MBA, CMA, CMSLIM	Executive Director – Recoveries
Mrs. P. de Silva - FCMA, CGMA, FCPA	Non-Executive /Independent
Mr. L.J.H. de Silva	Non-Executive /Non-Independent
Dr. D.L.I. Hettiarachchi	Non-Executive / Independent
Mr. D.F.W. Perera	Non-Executive /Non-Independent
Dr. S.L.N. Wickremasooriya	Non-Executive / Non-Independent

8.2 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The primary objective of the Committee is to assess and consider all transactions with related parties of the Company in line with Section 9 of the Listing Rules.

The Committee shall have authority :-

1. to review, to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.14.10 of the CSE Listing Rules, that require consideration by the Committee under the Related Party Policy of the Company and taking into consideration, Rule 9.14.5 of the Listing Rules of the CSE;
2. to approve or reject the Related Party Transaction upon the required internal approvals being obtained;
3. to determine whether the relevant Related Party Transaction is fair to, and in the best interests of, the Company and its stakeholders; and
4. to recommend to the full Board what action, if any, should be taken by the Board with respect to any Related Party Transaction. In such an instance, approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.
5. to recommend to the full Board where necessary that the approval of the shareholders of the Company be obtained by way of a Special Resolution prior to the concerned transaction being entered into as specified in Section 9.14.6 and 9.14.9 of the Listing Rules.
6. in respect of transactions with Related Parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the Company or its subsidiaries, to determine if the terms of a transaction with a Related Party is not favourable to the Related Party than those generally available to the public.

Composition of the Related Party Transactions Review Committee is as follows;

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Dr. D.L.I. Hettiarachchi	Chairman	Independent Non-Executive
Mrs. G.S.T. Dharmakirti-Herath	Member	Independent Non-Executive
Mr.L.J.H. de Silva	Member	Non-Independent Non-Executive

9 STATUTORY DECLARATIONS

9.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned Directors of Alliance Finance Company PLC (Company) hereby declare and confirm that we have read the provisions of the Colombo Stock Exchange (CSE) Listing Rules and of the Companies Act No.7 2007 and any amendments thereto relating to the issuance of the Prospectus and confirmed that all such provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

The parties to the Social Bond Issue including Lawyers, Auditors, Rating Company, Independent External Reviewer and Managers and Placement Agents have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company. Further, the Company Secretary to the said Issue has also submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to them.

An application has been made to the CSE for permission to deal in and for a listing of Social Bonds issued by the Company and those Social Bonds which are the subject of this Issue. Such permission will be granted when Social Bonds are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or omissions or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Social Bonds issued.

Name of Directors	Designation	Signature
Mrs. G.S.T. Dharmakirti Herath	Chairperson – Non-Executive / Independent	Sgd.
Mr. R.K.E.P. de Silva - F.I.C.M.(SL)	Deputy Chairman / Managing Director	Sgd.
Mr W.P.K. Jayawardana - CFA, MBA, ACMA. CGMA	Deputy Managing Director- Executive	Sgd.
Mr. M.J. Benedict - MBA, CMA, CMSLIM	Executive Director- Recoveries	Sgd.
Mrs. P.de Silva - FCMA, CGMA, FCPA	Non-Executive /Independent	Sgd.
Mr. L.J.H. de Silva	Non-Executive /Non-Independent	Sgd.
Dr. D.L.I. Hettiarachchi	Non-Executive / Independent	Sgd.
Mr. D.F.W. Perera	Non-Executive /Non- Independent	Sgd.
Dr. S.L.N. Wickremasooriya	Non-Executive / Non-Independent	Sgd.

9.2 STATUTORY DECLARATION BY THE MANAGERS AND PLACEMENT AGENTS TO THE ISSUE

We, NDB Investment Bank Limited of No 135, Bauddhaloka Mawatha, Colombo 04, who are named in the Prospectus as the Managers and Placement Agents to the Issue hereby declare and confirm that to the best of our knowledge and belief, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Alliance Finance Company PLC whose Social Bonds are being listed.

Signed by two Directors of NDB Investment Bank Limited, being duly authorised thereto, at Colombo on this 7th August 2025.

Sgd.
Director

Sgd.
Director

10.1 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



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Sri Lanka

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www.deloitte.com

11 July 2025

The Board of Directors
Alliance Finance Company PLC
No. 84, Ward Place
Colombo 7

Dear Sirs/Mesdames,

Accountants' report for inclusion in the prospectus of Alliance Finance Company PLC

Introduction

This report has been prepared for the inclusion in the prospectus issued in connection with the proposed transfer of up to Twenty Million (20,000,000) social bonds at rupees one hundred (LKR 100.00) to raise rupees up to two billion (LKR 2,000,000,000) by way of an offer for sale.

We have examined the financial statements of Alliance Finance Company PLC (the "Company") and the consolidated financial statements of the Company and its subsidiary ("Group") for the years ended 31 March 2021 to 31 March 2025 ("period"), and report as follows.

1. Incorporation

Alliance Finance Company PLC is a limited liability company incorporated and domiciled in Sri Lanka in 1956. The registered office of the company and the principal place of business are situated at No. 84, Ward Place, Colombo 7.

Alliance Finance Company PLC offers a range of financial services to both individuals and businesses. These services encompass leasing, gold loans, term loans, gold investment solutions, as well as savings and deposits. Additionally, their Commercial Division conducts vehicle trade-in services and provides Ezy drive vehicle hiring services.

2. Financial Information

2.1. Five Year Summary of Audited Financial Statements

A summary of statement of profit and loss and other comprehensive income, statement of financial position, statement of cash flow and statement of changes in equity of the company for the financial year ended 31 March 2021 to 31 March 2025, based on the audited financial statements of the company and group are set out in Annexure 1.

Summaries presented for operating results, assets, liabilities and shareholders' fund for financial year ended 31 March 2021 to 31 March 2025 are based on the financial statement prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), effective from 1 January 2012 in the annual reports of the respective years.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA,
M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

2.2. Audit Reports

We have audited the financial statements of the company and the consolidated financial statements of the group for the year ended 31 March 2025 and 31 March 2024. Previous three years of financial statements for 31 March 2021 to 31 March 2023 were audited by the predecessor auditor Baker Tilly Edirisinghe & Co.

Unqualified audit opinions have been issued for the said financial years by audit reports dated 13 May 2021, 08 June 2022, 27 June 2023, 31 May 2024 and 05 June 2025 respectively.

2.3. Application of Accounting Standards and Accounting Policies

The financial statements of the company and the group for the years ended 31 March 2021 to 31 March 2025 comply with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/"LKAS") laid down by the Institute of Chartered Accountant of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007.

The accounting policies and changes in the accounting policies of the company and group are stated in detail in the audited financial statements of the company and group for the years ended 31 March 2021 to 31 March 2025. The adoption of revised/ new accounting standards and a summary of related amendments to the accounting policies of the company and group for the financial years ended 31 March 2021 to 31 March 2025 are set out in Annexure 2.

2.4. Dividends

The company has paid the following dividends in respect of ordinary shares for the year ended 31 March 2021 to 31 March 2025.

Year/Period Ended	Dividend Paid (Rs. Mn)	Dividend Declared Per Share
31 March 2025	579.57	17.20
31 March 2024	283.04	8.40
31 March 2023	168.48	5
31 March 2022	488.59	14.5
31 March 2021	185.33	5.5

2.5. Events after Reporting Date (31 March 2025)

• Final Dividend

The Board of Directors of the Company on 23rd May 2025 declared a final cash dividend of LKR 9.20 per share for the financial year ended 31st March 2025 subject to the approval of the shareholders at the Annual General Meeting. Further Company received the Central Bank approval for the above proposed dividends.

• Proposed Social Bonds Issue

The Board of Directors approved to issue up to Twenty Million (20 Million) social bonds up to an initial issue of LKR up to 2 Billion. The tenor of the instrument will be 4 & 5 years and it is annually couponed. This instrument will be listed in the CSE and rated by Fitch rating. The proceeds of the proposed social bond will be used specifically for financing.

- A. Promoting Micro, Small, and Medium Enterprises (MSMEs) through value chain financing to stimulate economic growth and create employment opportunities. For this objective, the Company will allocate approximately 75% of the funds raised via the Social Bond Issue.




- B. Providing microfinance to marginalized and underserved communities who lack access to traditional financial services, empowering them to improve their livelihoods and financial stability.
For this objective, the Company will allocate approximately 25% of the funds raised via the Social Bond Issue.

2.6. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Alliance Finance Company PLC for the inclusion in the prospectus issued in connection with the proposed issue of social bond of up to Rupees two billion (LKR 2,000,000,000) for up to Twenty Million (20,000,000) social bonds offered for sale. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work for the year ended 31 March 2025, for the report, or for the opinion we have formed for the financial statements for the year ended 31 March 2025. This report should not be used, circulated, quoted, or otherwise referred to any other purpose.

Yours faithfully,


Deloitte Associates
Chartered Accountants
Colombo

Annexure 1

Alliance Finance Company PLC
Statements of Profit or Loss
for the year ended 31st March

	2025	2024	2023	2022	2021
Interest income	14,616,592,608	13,184,634,453	11,946,843,634	7,852,033,338	7,172,427,543
Interest expenses	(6,472,265,408)	(7,297,688,560)	(7,411,342,695)	(2,651,181,039)	(2,912,756,756)
Net Interest Income	8,144,327,200	5,886,945,893	4,535,500,939	5,200,852,299	4,259,670,787
Non-Interest Income	1,056,526,267	741,459,797	473,724,489	845,430,411	627,035,731
Impairment charges for loans and other losses	(233,790,064)	(335,708,297)	(274,638,036)	(102,890,184)	(752,126,049)
Total operating expenses	(4,886,735,629)	(3,944,258,126)	(3,385,497,175)	(3,030,858,742)	(2,532,885,714)
Operating Profit before Taxes on Financial Services	4,080,327,774	2,348,439,267	1,349,090,217	2,912,533,784	1,601,694,755
Operating Profit after Taxes on Financial Services	3,068,062,983	1,679,835,662	929,657,331	2,357,984,428	1,293,823,257
Profit before Taxation from Operations	3,086,968,217	1,697,866,760	950,725,829	2,363,931,198	1,295,952,601
Profit for the year	1,734,833,052	916,879,352	504,923,947	1,463,100,626	560,889,794

Certification

This is the extraction of Audited Financial Statements covering a period of five years

Alliance Finance Co. PLC
84, Ward Place,
Colombo - 07.



Annexure 1 Cont'd

Alliance Finance Company PLC
Statement of Financial Position
as at 31st March

	2025	2024	2023	2022	2021
Assets					
Cash and cash equivalents	1,475,822,024	1,037,507,757	566,946,383	795,260,944	587,405,947
Repurchase agreements	1,834,618,154	962,606,909	250,154,110	250,000,000	400,203,715
Placements with banks & financial institutions	4,905,397,835	3,246,352,935	4,905,611,281	287,925,208	793,564,909
Financial assets recognised through profit or loss	5,271,089,167	3,508,968,758	3,130,690,272	1,502,280,225	1,177,459,993
Loans and advances - at amortised cost	38,342,731,995	23,506,870,064	17,449,867,823	14,797,772,357	6,630,287,692
Lease rentals receivable & stock out on hire - at amortised cost	24,173,323,963	22,597,190,332	21,552,425,839	25,503,747,256	19,978,211,851
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	5,542,117
Financial assets- fair value through other comprehensive income	175,800,654	317,703,694	182,705,621	184,720,884	203,724,802
Other trading stocks	67,495,284	85,653,478	59,653,942	397,525,744	279,566,570
Other financial assets	566,898,746	458,631,541	415,454,128	636,340,449	489,616,233
Other non financial assets	244,625,077	257,537,354	173,787,786	243,886,129	163,285,409
Derivative financial assets	-	-	-	82,923,194	-
Investments in associates	126,502,614	110,332,180	70,906,846	49,838,348	47,756,062
Investments in subsidiaries	18,522,288	16,924,038	16,924,038	16,924,038	16,924,038
Investment property	187,680,000	187,680,000	163,200,000	159,590,100	574,254,000
Property, plant & equipment	3,390,971,504	3,202,649,652	2,595,446,980	2,502,324,245	2,377,684,658
Intangible assets	184,674,891	147,087,856	139,188,404	126,715,431	58,497,170
Right of use asset	463,824,482	356,347,453	365,346,690	397,784,021	193,321,481
Deferred tax assets	135,483,254	174,526,137	209,616,678	209,679,475	144,831,784
Total Assets	81,565,461,932	60,174,570,138	52,247,926,821	48,140,238,048	34,122,138,431
Liabilities					
Due to banks	30,341,711,845	20,310,185,391	22,571,002,700	22,558,061,981	13,214,241,102
Debt Securities Measured at amortised cost	1,012,406,801	-	-	-	-
Due to depositors - at amortised cost	36,524,836,317	28,387,365,249	20,475,847,835	14,681,375,682	12,918,786,478
Debt instruments issued and other borrowed funds	-	-	-	867,759,553	-
Other financial liabilities	1,537,657,682	1,129,788,584	522,582,852	1,670,249,511	883,877,701
Other non financial liabilities	191,818,324	219,237,671	87,430,046	184,106,172	60,188,110
Derivative financial liabilities	-	5,379,033	36,175,016	-	13,545,550
Income tax liabilities	1,370,124,514	928,515,196	708,410,305	865,153,792	646,313,080
Retirement benefit obligations	87,094,962	52,103,008	48,489,232	121,428,671	12,924,029
Deferred tax liabilities	704,224,787	663,298,289	478,434,654	510,728,430	555,848,404
Lease Liability	446,054,836	349,669,731	361,416,001	-	-
Total Liabilities	72,215,930,068	52,045,540,152	45,289,788,641	41,458,863,792	28,305,724,454
Shareholders' Funds					
Stated capital	613,980,000	613,980,000	613,980,000	613,980,000	613,980,000
Retained earnings	5,656,084,950	4,509,940,679	3,761,997,661	3,500,238,368	2,295,549,890
Reserves	3,079,466,914	3,005,109,307	2,582,160,519	2,567,155,888	2,906,884,087
Total Equity Attributable to Equity Holders of the Company	9,349,531,864	8,129,029,986	6,958,138,180	6,681,374,256	5,816,413,977
Total Liabilities and Shareholders' Funds	81,565,461,932	60,174,570,138	52,247,926,821	48,140,238,048	34,122,138,431
Contingent liabilities and commitments	1,507,878,412	820,666,741	857,880,137	38,415,571	261,333,077

Certification

This is the extraction of audited Financial Statements covering a period of five years.

Alliance Finance Co. PLC
84, Ward Place,
Colombo - 07.



Annexure 1 Cont'd

Alliance Finance Company PLC
Statements of Changes in Equity
for the year ended 31st March

	2025	2024	2023	2022	2021
Balance as at the beginning of the year	8,129,029,986	6,958,138,180	6,681,374,256	5,816,413,977	4,612,971,306
Profit for the year	1,734,833,052	916,879,352	504,923,947	1,463,100,626	560,889,794
Other comprehensive income, net of tax					
Net actuarial gain on defined benefit plan	(36,984,146)	10,863,466	48,513,307	(86,765,866)	(19,051,824)
Equity investments at FVOCI - net change in fair value	100,607,514	41,220,588	(7,105,330)	(103,157,997)	123,996,645
Net asset adjustment - Associate Company	-	-	-	(3,864,484)	-
Revaluation Surplus	(25,339,998)	370,408,400	-	-	537,608,056
Dividend paid	(552,614,544)	(168,480,000)	(269,568,000)	(404,352,000)	-
Balances as at the end of the year	9,349,531,864	8,129,029,986	6,958,138,180	6,681,374,256	5,816,413,977

Annexure 1 Cont'd

Alliance Finance Company PLC
Statements of Cash Flows
for the year ended 31st March

	2025	2024	2023	2022	2021
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense	3,086,908,217	1,697,866,700	950,725,829	2,363,931,198	1,295,952,601
Adjustments for:					
Depreciation of property, plant & equipment	201,382,217	158,683,135	150,711,053	116,431,961	123,283,161
Amortization of intangible assets	11,402,112	10,766,544	11,358,550	11,031,096	8,988,531
Interest Expenses of Bank Borrowings	2,575,098,535	2,688,644,843	-	-	-
Interest on debentures	12,406,801	-	-	-	-
Intangible asset write-off	-	-	-	1,014,204	(753,265)
Depreciation adjustment	-	-	-	(10,505,851)	-
Amortization of right of use asset	153,917,919	128,590,164	127,702,817	104,584,448	71,961,239
Interest expense on lease liability	58,736,458	45,325,284	44,022,441	40,649,243	-
Impairment provision / (reversal)	24,288,889	106,846,334	40,334,682	(133,250,305)	279,399,091
Interest on fixed deposits, commercial paper & treasury bills	(301,472,480)	(405,447,590)	(243,766,340)	(67,058,063)	(123,297,343)
Fair value gain on investments (FVTPL)	(57,989,735)	(7,172,338)	-	(275,394)	2,031,684
Fair value gain on investment property	-	(24,480,000)	(3,609,900)	(27,009,600)	(25,254,000)
Bad debt written-off	209,501,175	228,861,963	234,303,354	236,140,489	472,726,938
Diminution (appreciation) in value of treasury bonds	-	-	2,753,591	(4,043)	4,222,979
Loss/(profit) on disposal of property, plant & equipment	(13,373,265)	(78,391,610)	(12,652,649)	(13,729,654)	(42,278,926)
Loss/(profit) on disposal of investment property	-	-	-	(67,140,000)	-
Loss/(profit) from sale of vehicle	(54,149,174)	(43,035,311)	3,122,258	(111,492,609)	(42,430,107)
Loss/(profit) on disposal of real estates	-	(4,303,313)	(9,105,101)	-	-
Provision for defined benefit plans	75,387,265	59,869,919	64,321,756	43,803,310	31,822,498
Dividend received	(38,436,201)	(12,264,186)	(29,789,738)	(16,809,063)	(6,825,336)
Share of (profit) from associates	(18,905,234)	(18,031,098)	(21,068,498)	(5,946,770)	(2,129,344)
Operating Profit before Working Capital Changes	5,924,763,499	4,532,129,499	1,309,364,105	2,464,364,597	2,047,419,421
(Increase)/decrease in trading stock	55,295,393	21,539,088	53,647,645	(1,043,219,266)	(442,760,279)
(Increase)/decrease in loans and advances	(14,923,408,125)	(6,123,554,884)	(2,602,720,732)	(8,268,070,660)	(772,080,576)
(Increase)/decrease in lease rentals receivable	(1,722,377,501)	(1,313,920,148)	3,627,297,790	(5,531,357,034)	(348,913,589)
(Increase)/decrease in hire purchase rentals receivable	-	-	10,858	5,744,562	(796,750)
(Increase)/decrease in fixed deposits & repurchase agreements	(2,531,056,090)	946,805,547	(4,617,840,183)	655,843,416	72,237,395
(Increase)/decrease in other financial assets	(108,267,203)	(43,177,413)	270,886,321	(143,409,221)	(30,248,360)
(Increase)/decrease in other non financial assets	190,497,580	65,518,509	133,102,711	(222,002,020)	78,542,359
(Increase)/decrease in derivative financial liabilities	(5,379,033)	(30,795,983)	119,038,210	(96,468,744)	(46,290,727)
Increase/(decrease) in amounts due to depositors	8,137,471,068	7,911,517,414	5,794,472,153	1,762,589,304	571,489,629
Increase/(decrease) in other financial liabilities	445,517,745	550,134,179	(830,273,099)	745,222,568	92,123,788
Increase/(decrease) in other non financial liabilities	(27,419,347)	131,807,625	(96,676,127)	142,278,241	48,712,361
Cash generated from/(used in) Operations	(4,564,362,016)	6,648,003,433	3,110,369,652	(9,527,984,357)	1,269,484,672
Retirement benefit liabilities paid	(41,126,797)	(40,736,908)	(27,744,250)	(10,155,107)	(11,433,290)
Investment in equity fund	(52,103,008)	-	(40,212,220)	(39,309,174)	(31,486,681)
Taxes paid	(840,044,008)	(504,332,568)	(655,567,767)	(782,917,956)	(343,453,026)
Net cash generated from/(used in) operating activities	(5,497,635,829)	6,102,933,957	2,386,845,415	(10,360,366,594)	983,111,675
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	(413,182,304)	(305,167,340)	(249,592,489)	(238,188,743)	(116,837,204)
Acquisition of right of use assets	(261,394,948)	(119,590,927)	(17,326,000)	(60,536,000)	6,434,908
Acquisition of Intangible Assets	(48,989,147)	(18,665,996)	(23,831,523)	(80,263,561)	(12,230,194)
Dividends Received From Associate	2,734,800	3,605,764	-	-	-
Investment in associates	-	(25,000,000)	-	-	-
Proceeds from sales of property, plant & equipment	36,851,500	146,828,000	18,411,350	21,352,700	61,048,800
Proceeds from sales of investment property	-	-	-	508,813,500	-
Proceeds from sales of vehicles	17,011,975	-	262,252,000	1,041,752,701	413,012,005
Proceeds from sales of real estates	-	-	22,955,000	-	-
Net sales/ (purchases) of financial investments -FVTPL/FVOCI	(1,461,620,121)	(464,883,633)	(1,636,253,705)	(408,691,873)	424,735,963
Dividend received	36,837,662	12,264,186	29,789,738	16,809,063	6,825,336
Interest on fixed deposits, commercial paper & treasury bills	301,472,480	405,447,590	243,766,340	67,058,063	123,297,343
Net cash generated from / (used in) investing activities	(1,790,278,103)	(365,162,356)	(1,349,829,289)	868,102,850	906,286,957
Cash flows from / (used in) financing activities					
Settlement of operating Lease liabilities	(177,585,303)	(149,268,076)	(140,943,853)	(107,109,688)	(77,981,423)
Loans Obtained	18,078,169,350	35,737,038,776	-	-	-
Loans Repayments	(12,879,727,934)	(38,488,097,576)	-	-	-
Proceeds from Debenture issue	1,000,000,000	-	-	-	-
Increase/(decrease) in borrowed funds	-	-	(867,759,553)	867,759,550	-
Net increase / (decrease) in other borrowings	-	-	(3,140,673,013)	9,087,499,254	(2,045,470,065)
Dividend paid	(552,614,472)	(168,480,000)	(269,568,000)	(404,352,000)	-
Net cash generated from/(used in) financing activities	5,468,241,641	(3,068,806,877)	(4,418,944,419)	9,443,797,116	(2,123,451,488)
Net increase/(decrease) in cash and cash equivalents	(1,819,672,291)	2,668,964,724	(3,381,928,193)	(48,466,628)	(234,052,855)
Cash and cash equivalents at the beginning of the year	(283,171,510)	(2,952,136,234)	429,792,059	478,258,687	712,311,542
Cash and cash equivalents at the end of the year	(2,102,843,801)	(283,171,510)	(2,952,136,234)	429,792,059	478,258,687
Movement in Cash and Cash Equivalent	(1,819,672,291)	2,668,964,724	(3,381,928,193)	(48,466,628)	(234,052,855)

Annexure 1 Cont'd

Alliance Finance Company PLC
Key Financial Ratios

	2024-25	2023-24	2022-23	2021-22	2020-21
Debt / Equity Ratio (Times)	7.31	6.03	6.24	5.70	4.49
Interest Cover Ratio (Times)	1.63	1.32	1.18	2.10	1.55
Capital Adequacy - Core Capital Ratio %	11.60	12.07	12.42	11.67	11.38
Capital Adequacy - Total Capital Ratio %	16.06	14.38	16.55	15.07	14.00

Debt/ Equity Ratio = Total Debt / Total Equity

Interest Cover Ratio = Operating Profit before Taxes on Financial Services + Interest Expense / Interest Expense

Annexure 1 Cont'd

Alliance Finance Company PLC
Statements of Profit or Loss
for the year ended 31st March

	2025	2024	Group 2023	2022	2021
Interest income	14,635,683,861	13,200,296,688	11,959,844,861	7,858,602,585	7,175,165,275
Interest expenses	(6,472,368,820)	(7,286,440,505)	(7,395,214,020)	(2,651,181,039)	(2,912,756,756)
Net Interest Income	8,163,315,041	5,913,856,183	4,564,630,841	5,207,421,546	4,262,408,519
Non-Interest Income	1,196,026,266	863,578,780	565,251,582	918,099,756	688,008,463
Impairment charges for loans and other losses	(233,790,064)	(335,708,297)	(274,638,036)	(102,890,184)	(752,126,049)
Total operating expenses	(4,920,775,163)	(3,969,304,614)	(3,414,689,355)	(3,049,643,599)	(2,550,265,349)
Operating Profit before Taxes on Financial Services	4,204,776,080	2,472,422,052	1,440,555,032	2,972,987,519	1,648,025,584
Operating Profit after Taxes on Financial Services	3,192,511,289	1,803,818,447	1,021,122,146	2,418,438,163	1,340,154,086
Profit before Taxation from Operations	3,211,416,523	1,821,849,545	1,042,190,644	2,424,384,933	1,342,283,430
Profit for the year	1,816,821,505	1,008,561,512	559,449,979	1,510,768,703	596,101,699

Certification

This is the extraction of Audited Financial Statements covering a period of five years

Alliance Finance Co. PLC
84, Ward Place,
Colombo - 07.



Annexure 1 Cont'd

Alliance Finance Company PLC
Statement of Financial Position
as at 31st March

	2025	2024	2023	2022	2021
Assets					
Cash and cash equivalents	1,741,401,080	1,136,828,171	624,723,130	898,748,640	637,840,499
Repurchase agreements	1,834,617,974	962,606,909	250,154,110	250,000,000	400,203,715
Placements with banks & financial institutions	4,941,814,722	3,266,942,485	4,919,075,748	287,925,208	793,564,909
Financial assets recognised through profit or loss	5,400,608,853	3,625,924,356	3,130,690,272	1,502,280,225	1,177,459,993
Loans and advances - at amortised cost	38,342,731,995	23,508,870,064	17,449,867,823	14,797,772,357	6,626,972,697
Lease rentals receivable & stock out on hire - at amortised cost	24,173,323,963	22,597,190,332	21,552,425,839	25,503,747,236	19,978,211,851
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	5,542,117
Financial assets- fair value through other comprehensive income	175,800,654	317,703,691	182,705,621	184,720,884	203,724,802
Other trading stocks	67,495,284	85,653,478	59,653,912	392,525,744	279,566,570
Other financial assets	545,171,168	450,152,849	417,933,228	630,656,592	564,090,869
Other non financial assets	252,983,150	265,196,987	174,383,305	244,361,452	163,760,732
Derivative financial assets	-	-	-	82,923,194	-
Investments in associates	138,316,858	128,484,547	97,412,381	83,092,843	96,563,532
Investment property	302,680,000	293,680,000	253,300,000	245,250,516	574,254,000
Property, plant & equipment	3,391,875,272	3,202,950,925	2,596,074,215	2,503,442,359	2,377,956,161
Intangible assets	184,674,890	147,169,590	139,461,804	127,180,497	58,497,170
Right of use asset	463,824,482	356,347,453	365,346,690	397,784,021	193,321,481
Deferred tax assets	137,401,676	175,796,752	210,498,249	210,485,254	145,567,344
Total Assets	81,094,722,021	60,521,498,592	52,423,506,357	48,342,897,042	34,277,098,442
Liabilities					
Due to banks	30,397,669,512	20,310,185,391	22,571,002,700	22,558,061,981	13,214,241,102
Debt Securities Measured at amortised cost	1,012,406,801	-	-	-	-
Due to depositors - at amortised cost	36,523,989,296	28,386,553,614	20,390,703,071	14,681,375,682	12,918,786,478
Debt instruments issued and other borrowed funds	-	-	-	867,759,553	-
Other financial liabilities	1,609,980,121	1,159,602,656	558,574,175	1,704,808,662	899,693,781
Other non financial liabilities	191,818,324	219,237,671	88,295,193	184,106,173	60,188,110
Derivative financial liabilities	-	5,379,033	36,175,016	-	13,545,550
Income tax liabilities	1,388,527,363	938,772,455	722,146,198	869,537,847	649,705,208
Retirement benefit obligations	92,785,154	56,338,393	50,962,873	124,326,196	15,988,862
Deferred tax liabilities	711,624,397	668,778,398	478,434,654	510,728,430	555,855,791
Lease Liability	446,054,836	349,669,731	361,416,001	-	-
Total Liabilities	72,374,855,804	52,094,517,342	45,287,709,883	41,500,704,514	28,328,004,882
Shareholders' Funds					
Stated capital	613,980,000	613,980,000	613,980,000	613,980,000	613,980,000
Retained earnings	5,856,808,525	4,675,362,989	3,870,187,587	3,588,577,822	2,374,274,468
Reserves	3,079,466,914	3,005,109,307	2,582,160,519	2,567,155,888	2,906,884,087
Total Equity Attributable to Equity Holders of the Company	9,550,255,439	8,294,452,296	7,066,328,106	6,769,713,710	5,895,138,555
Non controlling interest	169,610,778	132,528,954	99,468,368	72,478,808	53,955,005
Total Equity	9,719,866,217	8,426,981,250	7,165,796,474	6,842,192,518	5,949,093,560
Total Liabilities and Shareholders' Funds	82,094,722,021	60,521,498,592	52,423,506,357	48,342,897,042	34,277,098,442

Contingent liabilities and commitments	1,507,878,412	820,666,741	857,880,137	38,415,571	261,333,077
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Certification

This is the extraction of audited Financial Statements covering a period of five years

Alliance Finance Co. PLC
94, Ward Place,
Colombo - 07

Annexure 1 Cont'd

Alliance Finance Company PLC
Statements of Changes in Equity
for the year ended 31st March

	Group				
	2025	2024	2023	2022	2021
Balance as at the beginning of the year	8,426,981,250	7,165,796,474	6,842,192,518	5,949,093,560	4,710,440,961
Profit for the year	1,816,821,505	1,008,561,512	559,449,979	1,510,768,703	596,101,699
Other comprehensive income, net of tax					
Net actuarial gain on defined benefit plan	(37,477,326)	9,474,276	49,843,707	(85,977,920)	(19,053,801)
Equity investments at FVOCI - net change in fair value	100,607,514	41,220,588	(7,105,330)	(103,157,996)	123,996,645
Net asset adjustment - Associate Company		-	-	(20,372,399)	
Revaluation Surplus	(25,339,998)	370,408,400	-	-	537,608,056
Dividend paid	(561,726,728)	(168,480,000)	(278,584,400)	(408,161,429)	-
Balances as at the end of the year	9,719,866,217	8,426,981,250	7,165,796,474	6,842,192,518	5,949,093,560

Annexure 1 Cont'd

Alliance Finance Company PLC
Statements of Cash Flows
for the year ended 31st March

	2025	2024	Group 2023	2022	2021
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense	3,211,416,523	1,821,849,545	1,042,190,644	2,424,384,932	1,342,283,430
Adjustments for:					
Depreciation of property, plant & equipment	201,687,261	159,178,329	151,201,931	116,816,283	123,387,257
Amortization of intangible assets	11,483,847	10,958,210	11,550,216	11,141,027	8,988,531
Interest Expenses of Bank Borrowings	2,575,098,535	2,688,644,843	-	-	-
Interest on debentures	12,406,801	-	-	-	-
Intangible asset write-off	-	-	-	1,014,204	(753,265)
Depreciation adjustment	-	-	-	(10,505,851)	-
Amortization of right of use asset	153,917,919	128,590,164	127,702,817	104,584,448	71,961,239
Interest expense on lease liability	58,736,458	45,325,284	44,022,441	40,619,243	-
Impairment provision /reversal	24,288,888	106,846,334	40,334,682	(133,250,305)	279,399,091
Interest on fixed deposits, commercial paper & treasury bills	(320,563,733)	(421,109,825)	(256,767,567)	(73,627,310)	(126,035,075)
(Profit)/loss on sale of securities	-	-	-	-	-
Fair value gain on investments (FVTPL)	(57,989,735)	(7,172,338)	-	(275,394)	2,031,684
Fair value gain on investment property	(7,000,000)	(42,480,000)	(7,949,484)	(27,009,600)	(25,254,000)
Bad debt written-off	209,501,175	228,861,963	214,303,354	236,140,489	472,726,958
Diminution/(appreciation) in value of investments	-	-	-	-	-
Diminution/(appreciation) in value of treasury bonds	-	-	2,753,591	(4,043)	4,222,979
Loss/(profit) on disposal of property, plant & equipment	(13,373,265)	(78,391,610)	(12,652,649)	(13,729,654)	(42,278,926)
Loss/(profit) on disposal of investment property	-	-	-	(67,140,000)	-
(Profit) from disposal of financial instrument-(Quoted Shares)	-	-	-	(480,302)	-
Loss/(profit) from sale of vehicle	(54,149,174)	(43,035,311)	3,122,258	(11,492,609)	(42,430,107)
Loss/(profit) on disposal of real estates	-	(4,503,313)	(9,105,101)	-	-
Provision for defined benefit plans	70,337,527	60,563,055	65,228,272	44,423,918	32,594,083
Dividend received	(51,000,290)	(19,219,784)	(20,174,158)	(11,610,626)	(6,825,336)
Share of (profit) from associates	(18,905,234)	(18,031,098)	(21,068,498)	(5,946,770)	(2,129,344)
Operating Profit before Working Capital Changes	6,011,893,503	4,616,874,447	1,394,691,749	2,524,082,110	2,091,889,699
(Increase)/decrease in trading stock	55,295,393	21,539,088	53,647,645	(1,043,219,266)	(442,760,279)
(Increase)/decrease in loans and advances	(14,923,408,125)	(6,123,554,884)	(2,602,720,732)	(8,268,070,660)	(772,080,576)
(Increase)/decrease in lease rentals receivable	(1,722,377,501)	(1,313,920,148)	3,627,297,790	(5,531,357,034)	(348,913,589)
(Increase)/decrease in hire purchase rentals receivable	-	-	10,858	5,744,562	(796,750)
(Increase)/decrease in fixed deposits & repurchase agreements	(2,546,883,392)	822,724,866	(4,631,304,650)	655,843,416	72,237,395
(Increase)/decrease in other financial assets	(95,018,319)	(32,219,621)	212,723,365	(150,179,199)	(25,594,154)
(Increase)/decrease in other non financial assets	189,799,140	58,354,394	89,060,073	(222,002,020)	78,542,351
(Increase)/decrease in derivative financial liabilities	(5,379,033)	(30,795,983)	119,098,210	(96,468,744)	(46,290,727)
Increase/(decrease) in amounts due to depositors	8,137,435,683	7,995,850,543	5,709,327,389	1,762,589,204	571,489,629
Increase/(decrease) in other financial liabilities	488,026,112	543,956,927	(784,818,486)	764,465,640	89,335,863
Increase/(decrease) in other non financial liabilities	(27,419,347)	130,942,477	(95,810,979)	142,278,241	48,712,361
Cash generated from/(used in) Operations	(4,438,035,886)	6,689,752,107	3,091,203,232	(9,456,293,750)	1,315,775,224
Retirement benefit liabilities paid	(41,326,797)	(40,736,908)	(27,744,250)	(10,155,107)	(11,433,290)
Investment in gratuity fund	(52,103,008)	-	(40,212,220)	(39,309,174)	(31,486,681)
Taxes paid	(872,877,284)	(535,339,343)	(670,481,543)	(794,789,292)	(254,286,674)
Net cash generated from/(used in) operating activities	(5,404,342,975)	6,113,675,856	2,346,765,218	(10,300,547,333)	1,018,568,679
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	(414,089,843)	(305,336,572)	(249,592,489)	(239,659,582)	(117,093,104)
Acquisition of right of use assets	(261,394,948)	(119,590,927)	(17,326,000)	(60,536,000)	6,434,908
Acquisition of Intangible Assets	(48,989,147)	(18,665,996)	(23,821,523)	(80,838,558)	(12,230,194)
Dividends Received From Associate	9,072,923	11,958,922	-	-	-
Investment in unquoted equities	-	-	-	(954,940)	-
Investment in associates	-	(25,000,000)	-	-	-
Proceeds from sales of property, plant & equipment	36,851,500	146,828,000	18,411,350	21,352,700	61,048,800
Proceeds from sales of investment property	-	-	-	508,813,500	-
Proceeds from sales of vehicles	17,011,975	-	262,252,000	1,041,732,701	413,012,005
Proceeds from sales of real estates	-	-	22,955,000	-	-
Purchase of equipment relating to the investment property	-	-	-	(1,807,034)	-
Net sales/(purchases) of financial investments -FVTPL/FVOCI	(1,474,184,209)	(464,883,633)	(1,636,253,705)	(408,214,571)	424,735,963
Dividend received	51,000,290	19,219,784	20,174,158	11,610,626	6,825,336
Interest on fixed deposits, commercial paper & treasury bills	320,563,733	421,109,825	256,767,567	73,627,310	126,035,075
Net cash generated from / (used in) investing activities	(1,764,157,726)	(334,360,587)	(1,346,443,642)	865,146,152	908,768,789
Cash flows from / (used in) financing activities					
Settlement of operating Lease liabilities	(177,585,303)	(149,268,076)	(140,943,853)	(107,109,688)	(77,981,423)
Loans Obtained	18,078,169,350	35,737,038,776	-	-	-
Loans Repayments	(12,879,727,934)	(38,488,097,576)	-	-	-
Proceeds from Debenture issue	1,000,000,000	-	-	-	-
Increase/(decrease) in borrowed funds	-	-	(867,759,553)	867,759,550	-
Net increase / (decrease) in other borrowings	-	-	(3,140,673,013)	9,087,499,254	(2,045,470,060)
Dividend paid	(561,726,728)	(168,480,000)	(278,584,400)	(408,161,429)	-
Net cash generated from/(used in) financing activities	5,459,129,385	(3,068,806,877)	(4,427,960,819)	9,439,987,687	(2,123,451,489)
Net increase/(decrease) in cash and cash equivalents	(1,709,371,316)	2,710,508,391	(3,427,639,242)	4,586,516	(196,114,120)
Cash and cash equivalents at the beginning of the year	(183,851,096)	(2,894,359,487)	533,279,755	528,693,239	724,807,359
Cash and cash equivalents at the end of the year	(1,893,222,412)	(183,851,096)	(2,894,359,487)	533,279,755	528,693,239
Movement in Cash and Cash Equivalent	(1,709,371,316)	2,710,508,391	(3,427,639,242)	4,586,516	(196,114,120)

Annexure 1 Cont'd

Alliance Finance Company PLC
Key Financial Ratios

	2024_25	2023_24	2022_23	2021_22	2020_21
Debt / Equity Ratio (Times)	7.16	5.91	6.13	5.63	4.43
Interest Cover Ratio (Times)	1.65	1.34	1.19	2.12	1.57
*Capital Adequacy - Core Capital Ratio %	11.60	12.07	12.42	11.67	11.38
*Capital Adequacy - Total Capital Ratio %	16.06	14.38	16.55	15.07	14.00

Debt/ Equity Ratio = Total Debt / Total Equity

Interest Cover Ratio = Profit before Tax + Depreciation + Amortization + Impairment + Interest Expense / Interest Expense

* Please note that these Capital Adequacy Ratios are based on the company's individual accounts, not on the consolidated accounts

Annexure 2

31 March 2024	<p>Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies.</p> <p>The Group also adopted disclosure of accounting policies amendment to LKAS 1 and SLFRS practice statement 2) the amendment did not result in any changes to the accounting policies themselves.</p>
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AGREED-UPON PROCEDURES REPORT ON FIVE-YEAR SUMMARY OF FINANCIAL STATEMENTS IN THE SOCIAL BOND ISSUE PROSPECTUS.

REPORT TO THE BOARD OF DIRECTORS OF ALLIANCE FINANCE COMPANY PLC

Purpose of this Agreed-Upon Procedures Report

Our report is solely intended to assist the Board of Directors of Alliance Finance Company PLC in determining whether the five-year summary of the financial statements in the social bond prospectus is aligned with the figures from the respective annual reports. Accordingly, our report will be addressed to you and may not be suitable for any other purpose.

Responsibilities of the Engaging Party and the Responsible Party

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Board of Directors are responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Sri Lanka Standard on Related Services (SLSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Management, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.



Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Board of Directors with respect to this engagement.

Based on the procedures performed, our factual findings are given below.

#	Procedures	Findings
1	<p>Obtain annual reports published in Colombo stock exchange website for the years ended 31 March 2021, 2022, 2023, 2024 and 2025.</p> <p>Ensure that the figures in the five-year summary of financial information are correctly derived from the audited figures in the annual report.</p>	<p>We obtained the reports published in Colombo stock exchange website for the years ended 31 March 2021, 2022, 2023, 2024 and 2025.</p> <p>We compared the figures in the five-year summary of financial information with the audited figures in the annual report and found that the figures were correctly derived from the annual reports. The five-year summary of financial information is attached herewith in Annexure 1.</p>
2	<p>Recompute all the totals, sub totals and other calculations to ensure the arithmetical accuracy of the figures in the five-year summary of financial information.</p>	<p>We independently recomputed all the totals, sub totals and other calculations to ensure the arithmetical accuracy of the figures in the five-year summary of financial information.</p> <p>We found no difference between our independently recomputed figures and those in the five-year summary of financial information attached herewith in Annexure 1.</p>

Deloitte Associates
Deloitte Associates
Chartered Accountants
Colombo
11 July 2025

ANNEXURE I - COPY OF THE RATING CERTIFICATE



Lanka Rating Agency

CERTIFIED TRUE COPY
ALLIANCE FINANCE CO. PLC

[Signature]
29/05/2025
Mrs. Priyanga P. Polria
Company Secretary

Rating Report

Alliance Finance Co PLC - Listed, Rated, Unsecured, Senior Social Bonds - 5 years

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
09-May-2025	BBB	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

Alliance Finance Company PLC ("AFC" or "the Company") is a Licensed Finance Company (LFC) listed on the Colombo Stock Exchange since 1959. It is a mid-sized player in the LFC industry with assets comprising ~3.9% of total industry. AFC adopted the Triple Bottom Line (TBL) philosophy in 2012 and plans to develop its products in line with these values driven to a sustainable business mandate. AFC plans to issue first Social Bond (Up to maximum of LKR-2bn face value) by a LFC in Sri Lanka with 4-5 year maturity. The proceeds will be exclusively used to stimulate economic growth and generate employment opportunities by promoting Micro, Small, and Medium Enterprises (MSMEs) through value chain financing and to empower marginalized and underserved communities. Deloitte Associates Sri Lanka will serve as the Independent External Verifier for this issuance. The bonds are unsecured and will rank pari passu with other senior unsecured creditors of the Company, ahead of subordinated debt and equity holders in the event of liquidation. The proceeds from the issue are earmarked for new social projects in line with the Company's Social Bond Framework, with ~75% allocated to MSME financing and ~25% to microfinance for underserved communities. The instrument will comply with the Social Bond Principles (SBP 2023) issued by ICMA and includes ongoing impact and allocation reporting, external verification by Deloitte, and listing on the Colombo Stock Exchange to enhance transparency and tradability.

AFC has improved its profitability and asset quality during FY25 while focusing on sustainable financing solutions. AFC's Net Interest Income (NII) increased to LKR-5.9bn in 9MFY25 compared to LKR-4.0bn in 9MFY24, a growth of ~48.3% y-o-y. Likewise, AFC's net profit stood at LKR-993.5mn in 9MFY25 (9MFY24: LKR-492.6mn). The Gross NPL ratio was ~6.8% during 9MFY25, lower than the industry average of ~11.3%. The Company's Capital Adequacy Ratio stood at ~14.5% in 9MFY25, above the Central Bank of Sri Lanka's (CBSL) statutory requirement of ~12.5% but remains below the industry average.

The rating depends on AFC's continued ability to achieve its strategic objectives while maintaining strong asset quality, sound financial management, sustainable leveraging and diversified funding base. Meanwhile, from a bondholder's perspective, the prudent management of Social Bond proceeds and the implementation of a comprehensive governance framework are critical.

Disclosure

Name of Rated Entity	Alliance Finance Co PLC - Listed, Rated, Unsecured, Senior Social Bonds - 5 years
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology Debt Instrument Rating(Aug-24)
Related Research	Sector Study Leasing & Finance Companies(Feb-25)
Rating Analysts	Gayani Randima Ariyawansa gayani@lra.com.lk +94 114 500099



NBFCs

Lanka Rating Agency

Issuer Profile

Profile Alliance Finance Company PLC ("AFC" or "the Company") was incorporated as a public company in 1956 under the provisions of the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007. It was listed on the Colombo Stock Exchange (CSE) in 1959. AFC is the oldest Finance Company in Sri Lanka, with 68 years in the industry. It formally adopted the Triple Bottom Line ("TBL") philosophy in 2012. The principal business activities include acceptance of fixed and savings deposits and granting term loans, gold loans, and other credit facilities, leasing, vehicle trading and hiring services.

Ownership The largest shareholder of the Company is Mr. R. K. E. P. De Silva, with an ownership of ~36.87%. He is also the Deputy Chairman (DC) and the Managing Director (MD) of the Company. Mr. R. K. E. P. De Silva was appointed to the Board in 1999 and serves as a non-executive director in AFC's associates and subsidiaries. Mr. De Silva is a Fellow of the Institute of Credit Management. He also holds directorships in many companies and is also a member of multiple professional bodies. AFC currently does not have a need for capital infusion. However, the sponsors are willing and able to provide financial support if AFC needs it.

Governance The Board has 9 Directors, out of which 3 are Independent Directors and 3 are Non Independent Non Executive Directors. Mrs. Dharmakirti Herath leads the Board members since 2020. The Executive Directors have experience in Non-Banking Financial Institutions (NBFI), micro financing, investment banking and marketing, both locally and internationally. The Non-Executive Directors possess a wealth of experience in sectors such as healthcare, financial services, brand building, strategic planning and law. The Company has formed ~5 board sub-committees, namely, Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Related Party Transactions Review Committee (RPTRC), Human Resources and Remuneration Committee (HRRC), and Nomination and Governance Committee (NGC). The external auditors of the company, Deloitte, issued an unqualified audit opinion pertaining to the annual financial statements for FY24.

Management The head of the organization remains on the Board, 4 divisions in the Company report directly to Mr. De Silva, while other departments report to Mr. De Silva through the relevant Executive Directors. The management team is headed by Mr. R. K. E. P. De Silva. The Managing Director is supported by a team of Executive Directors, Chief Executive Officers (CXOs), Assistant General Managers, and a team of managers for different functions and areas. The Company has a large corporate and middle management. They have acquired decades of experience in their respective careers. AFC has formed 7 management committees to run the operations smoothly in the Company. The Company is planning to move into a new core banking system which features direct connectivity to Lanka pay platform for seamless integrations to payment systems of Sri Lanka. The on-premises datacenters were migrated to local cloud Datacenters hosted by Dialog Axiata as well which resulted in improved performance and the DR process. The internal audit department follows a comprehensive audit plan where all branches are audited at least once a year, while the gold loan divisions are audited twice a year. The risk management division focuses mainly on credit risk, market risk, and liquidity risk.

Business Risk There are 34 Licensed Finance Companies ("LFC") in Sri Lanka, out of which, 27 are listed on the CSE. The sector profitability of the LFC sector improved by ~23.5% to LKR-43.1bn in 9MFY25 compared to 9MFY24 which was LKR-34.9bn (FY24: LKR-51.5bn). The deposits of the LFC sector increased by ~13.0% in 9MFY25 to LKR-1056.4bn while it was at LKR-935.1bn in 9MFY24 (FY24: LKR-987bn). However, total borrowings of the sector increased by ~15.3% in 9MFY25 to LKR-305.4bn from LKR-264.8bn in 9MFY24 (FY24: LKR-248.5bn). Total loans and advances of the sector have increased by ~22.8% to LKR-1,430.2bn in 9MFY25 from LKR-1,164.8bn in 9MFY24 (FY24: 1,214.7bn). The total asset base of the LFC sector stood at LKR-1,930.7bn and LKR-1,695.5bn as at 9MFY25 and 9MFY24 respectively (FY24: LKR-1,760.7bn). AFC is considered as a medium sized Licensed Finance Company and accounts for ~3.9% of the assets and ~3.1% of the deposits in the sector, as at 9MFY25. AFC's net loans and advances accounts for ~4.0% of the loans and advances in the sector in 9MFY25. AFC earned a net interest income of LKR-5.9bn (FY24: LKR-5.9bn), in 9MFY25, which is a ~48.3% increase since the same quarter of previous financial year. Interest income improved by ~11.2% to LKR-10.8bn (FY24: LKR-13.2bn) in 9MFY25 compared to 9MFY24. Interest expense decreased by ~15.1% to LKR-4.8bn (FY24: LKR-7.3bn) in 9MFY25 compared to 9MFY24. The growth in interest income was as a result of the improvement in interest income from loans and advances. The core spread was improved to ~12.3% in 9MFY25 and ~11.0% in FY24 however it was at ~9.6% in FY23. The Company's PAT increased by ~102% to LKR-993.5mn in 9MFY25 from LKR-492.6mn in 9MFY24. This increase is due to growth in interest income and net fee and commission income. The significant growth was due to the favorable external environment and the successful implementation of strategic initiatives. ROE and ROA as at 9MFY25 stood at ~15.5% and ~1.9%. AFC is deeply committed to sustainability, reflected in its diverse product portfolio, which includes climate financing initiatives like Cinnamon Cultivators Development and Rooftop Solar Loans. The Company is transitioning towards electric vehicles to enhance its mobility solutions.

Financial Risk The Company has maintained a gross and net NPL of ~6.75% (FY24: ~9.38%) and ~2.95% (FY24: ~5.48%) respectively in 9MFY25. It has maintained gross and net NPL below industry levels over the periods. These improvements reflect the Company's proactive recovery efforts and prompt credit management strategies. The Company increased its investments by ~16.2% to LKR-3.5bn in FY24 as compared to LKR-3.1bn in FY23 by increasing the investments in Government securities. The investments stood at LKR-5.2bn in 9MFY25 and Government securities constituted ~81.2% of the total investments. The Company remains largely reliant on deposits, which accounted for ~52.5% of its funding as of 9MFY25, compared to around ~58.3% in FY24. Its total borrowings comprise both local and foreign sources, including securitized borrowings, various credit facilities, and bank overdrafts. Local borrowings made up ~82% of the total, while foreign borrowings contributed ~18%. The concentration of the top 20 depositors rose to ~20.5% of total deposits in 9MFY25 (FY24: ~19.1%), highlighting moderate concentration risk. As of 9MFY25, the Company's Capital Adequacy Ratio (CAR) is ~14.5%, slightly above the Central Bank of Sri Lanka's (CBSL) statutory requirement of ~12.5%. It is well below than the industry average of ~21.2%.

Instrument Rating Considerations

About the Instrument AFC intends to issue a 4 to 5-year Listed, Senior, Redeemable Social Bonds (Up to maximum of LKR-2bn face value). The interest rate will be determined based on Sri Lankan Government Security (5-year Bond) Rate Plus Premium, paid annually.

Relative Seniority/Subordination Of Instrument The rights of the Social Bond Holders with respect to payment of the Principal Sum and accrued interest due thereon upon a winding-up of the Company will rank after all the claims of secured creditors and preferential claims under any Statutes governing the Company but equal and pari passu with all other unsecured creditors of the Company, but in priority to and over the rights of any subordinated debt holders, preference and ordinary shareholders.

Credit Enhancement It is an unsecured debt instrument. The capital repayment will be done as a bullet payment at the end of the tenor with any interest accruing up to that time.



Lanka Rating Agency

Alliance Finance Company PLC	Dec-24	Mar-24	Mar-23	Mar-22
#	9M	12M	12M	12M
A BALANCE SHEET				
1 Total Finance-net	55,614	43,471	35,400	40,472
2 Investments	6,395	4,142	3,564	1,913
3 Other Earning Assets	6,971	5,024	5,572	1,201
4 Non-Earning Assets	5,115	4,905	4,109	4,724
5 Non-Performing Finances-net	1,755	2,633	3,603	(171)
Total Assets	75,850	60,175	52,248	48,140
6 Funding	63,410	48,698	43,047	38,1
7 Other Liabilities	3,487	3,348	2,243	3,352
Total Liabilities	66,897	52,046	45,290	41,459
Equity	8,953	8,129	6,958	6,681
B INCOME STATEMENT				
1 Mark Up Earned	10,762	13,185	11,947	7,852
2 Mark Up Expensed	(4,815)	(7,298)	(7,411)	(2,651)
3 Non Mark Up Income	717	712	422	518
Total Income	6,664	6,599	4,957	5,719
4 Non-Mark Up Expenses	(3,692)	(3,944)	(3,385)	(2,776)
5 Provisions/Write offs	(530)	(336)	(275)	(103)
6 Reversals	44	47	73	78
Pre-Tax Profit	2,442	2,366	1,370	2,918
7 Taxes on Financial Services	(651)	(669)	(419)	(555)
Profit Before Income Taxes	1,791	1,698	951	2,364
8 Income Taxes	(841)	(781)	(446)	(901)
Profit After Tax	950	917	505	1,4
C RATIO ANALYSIS				
1 PERFORMANCE				
a Non-Mark Up Expenses / Total Income	55.4%	59.8%	68.3%	48.5%
b ROE	15.5%	12.2%	7.4%	23.4%
2 CREDIT RISK				
a Gross Finances (Total Finance-net + Non-Performing Advances + Non-Performing Debt Instruments) / Funding	94.1%	98.5%	94.7%	110.2%
b Accumulated Provisions / Non-Performing Advances	56.7%	41.5%	32.6%	111.2%
3 FUNDING & LIQUIDITY				
a Liquid Assets / Funding	19.8%	16.6%	21.0%	7.9%
b Borrowings from Banks and Other Financial Institutions / Funding	47.5%	41.7%	52.4%	59.2%
4 MARKET RISK				
a Investments / Equity	71.4%	50.9%	51.2%	28.6%
b (Equity Investments + Related Party) / Equity	11.3%	7.0%	3.9%	3.8%
5 CAPITALIZATION				
a Equity / Total Assets (D+E+F)	11.8%	13.5%	13.3%	13.9%
b Capital formation rate (Profit After Tax - Cash Dividend) / Equity	11.7%	9.1%	5.0%	20.5%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments.
AA+	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA	
AA-	
A+	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A	
A-	
BBB+	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB	
BBB-	
BB+	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB	
BB-	
B+	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B	
B-	
CCC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable, "C" Ratings signal imminent default.
CC	
C	
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminate rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) LRA finds it impractical to surveil the opinion due to lack of requisite information.	Harmonization A change in rating due to revision in applicable methodology or underlying scale.
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

Note: This scale is applicable to the following methodology(s):

- | | |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating | e) Holding Company Rating |
| b) Corporate Rating | f) Independent Power Producer Rating |
| c) Debt Instrument Rating | g) Microfinance Institution Rating |
| d) Financial Institution Rating | h) Non-Banking Finance Company |

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF THE DIRECTORS OF ALLIANCE FINANCE COMPANY PLC ON THE INFORMATION MENTIONING IN THE AFC SOCIAL BOND FRAMEWORK PERTAINING TO THE USE OF PROCEEDS, PROCESS FOR PROJECT EVALUATION AND SELECTION, MANAGEMENT OF PROCEED, AND REPORTING OF THE ALLIANCE FINANCE COMPANY PLC'S 2025 SOCIAL BOND ISSUANCE

SCOPE

We have been engaged by Alliance Finance Company PLC to perform a limited assurance engagement, as defined by Sri Lanka Standard on Assurance Engagements, to report on the Alliance Finance Company PLC's (AFC) (the "Company") Social Bond Framework pertaining to the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of the Alliance Finance Company PLC's 2025 Social Bond Issuance (the "Subject Matter").

CRITERIA APPLIED BY THE COMPANY

In preparing the AFC Social Bond Framework pertaining to the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of the Alliance Finance Company PLC's 2025 Social Bond Issuance, the company applied the Social Bond Principles (SBP), June 2023 Published by International Capital Market Association (the "Criteria").

MANAGEMENT'S RESPONSIBILITY

The Company's management is responsible for selecting the Criteria, and for presenting the AFC Social Bond Framework pertaining to the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of the 2025 Social Bond Issuance in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Institute of Chartered Accountants of Sri Lanka. The standard require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunaratne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA



OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies Sri Lanka Standard on Quality Management (SLSQM) 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing AFC Social Bond Framework pertaining to the use of proceeds, process for project evaluation and selection, management of proceeds, reporting of the 2025 Social Bond Issuance and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with personnel to understand the business and reporting process;
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the Information containing in the Subject Matter ;
- Checked the eligibility of the nominated projects of 2025 Social Bond Issuance in accordance with the principles in the Criteria;
- Tested, on a sample basis, underlying source information to check the accuracy of the data.

We also performed such other procedures as we considered necessary in the circumstances.



CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter has not been presented, in all material respects, fairly and in accordance with the Criteria defined.

Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo

6 March 2025

ANNEXURE IV - COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

Issuer Alliance Finance Company PLC Alliance House, No. 84 Ward Place, Colombo 07 Tel: +94 11 2 673 673 Fax: +94 11 2 697 205	Managers and Placement Agents to the Issue NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04 Tel: + 94 11 2 300 385-90 Fax: +94 11 2 300 393
Registrars to the Issue S S P Corporate Services (Private) Limited No. 101, Inner Flower Road Colombo 03 Tel: +94 11 2 573 894 Fax: +94 11 2 573 609	Bankers to the Issue National Development Bank PLC No.40, Navam Mawatha, Colombo 02 Tel: +94 (0) 11 2 448 448 Fax: +94 11 2 341 044, +94 11 2 440 262

Branch Network of Alliance Finance Company PLC

Copies of the Application Form can be obtained free of charge from all branches/customer centres of Alliance Finance Company PLC.

Trading Participants of the CSE

HNB Stockbrokers (Private) Limited No. 53, Dharmapala Mawatha, Colombo 03. Tel: +94 11 2 206 206 Fax: +94 11 2 206 298/9 E-mail: sales@acuitystockbrokers.com	Asha Securities Limited No.60, 5 th Lane, Colombo 03. Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net
Asia Securities (Private) Limited 4 th Floor, Lee Hedges Tower, No.349, Galle Road, Colombo 03. Tel: +94 11 7 722 000 Fax: +94 11 258 4864 E-mail: marketinfo@asiasecurities.lk	ACS Capital (Private) Limited No.44, Guilford Crescent, Colombo 07. Tel: +94 11 789 8302 Fax: - E-mail: info@acscapial.lk
ACAP Stock Brokers (Private) Limited No. 46/46, Greenlanka Building, 6th Floor, Nawam Mawatha, Colombo 02. Tel: +94 117 564 000 Fax: +94 112 331 756 E-mail: info@acapstockbrokers.lk	Almas Equities (Private) Limited Westin Tower, 5th Level, No 2 - 4/1, Lake Drive, Colombo 8. Tel: +94 11 707 1445 51 Fax: +94 11 2 673 908 E-mail: info@almasequities.com
Ambeon Securities (Private) Limited No.100/1, 2nd Floor, Elvitigala Mawatha, Colombo 08. Tel: +94 11 5 328 200 / 100 Fax: +94 11 5 328 177 E-mail: info@ambeonsecurities.lk	Bartleet Religare Securities (Private) Limited Level “G”, “Bartleet House” 65, Braybrooke Place, Colombo 02. Tel: +94 11 4 221 000 Fax: +94 11 2 434 985 E-mail: info@bartleetstock.com
Capital Alliance Securities (Private) Limited Level 5, “Millennium House” 46/58, Navam Mawatha, Colombo 02. Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: info@cal.lk	Capital Trust Securities (Private) Limited 42, Mohamed Macan Markar Mawatha, Colombo 03. Tel: +94 11 2 174 174/ +94 11 2 174 175 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk

CT CLSA Securities (Private) Limited 4-14, Majestic City, 10, Station Road, Colombo 04. Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk	Capital Alliance PLC Level 5, "Millenium House" 46/58, Nawam Mawatha, Colombo 02. Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 E-Mail: info@cal.lk
Enterprise Ceylon Capital (Private) Limited 2nd Floor-4B, Liberty Plaza, 250, R. A. De Mel Mawatha, Colombo 3 Tel: +94 112 445 644 Fax: +94 11 237 2541 E-mail: info@ecc.lk	First Capital Equities (Pvt) Limited Level 12, Vallible Property, No. 480, Galle Road, Colombo 03. Tel: +94 11 2 123 901 Fax: - E-mail: equity@firstcapital.lk
First Guardian Equities (Private) Limited 32 nd Floor, East Tower, World Trade Centre, Colombo 01. Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: info@fge.lk	J B Securities (Private) Limited No. 150, St. Joseph Street, Colombo 14. Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk
John Keells Stockbrokers (Private) Limited 186, Vauxhall Street, Colombo 02. Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com	Lanka Securities (Private) Limited 3rd Floor, "M2M Veranda Offices", No34, W.A.D. Ramanayeke Mawatha, Colombo 2. Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com
LOLC Securities Limited No.481, T.B. Jayah Mawatha, Colombo 10. Tel: +94 11 758 2000 Fax: +94 11 2 662 883 E-mail: info@lolcsecurities.com	Nestor Stock Brokers (Private) Limited The Landmark Building, No 385, Galle Road, Colombo 03. Tel: +94 11 475 8813 Fax: +94 11 2 550 100 E-mail: info@nestorstockbrokers.lk

NDB Securities (Private) Limited Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04. Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk	Richard Pieris Securities (Pvt) Limited No. 310, Highlevel Road, Nawinna, Maharagama. Tel: +94 11 4 310 500 Fax: +94 11 2 802 385 E-mail: communication@rpsecurities.com
Senfin Securities Limited 4th Floor, No.180, Bauddhaloka Mawatha, Colombo 04. Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info@senfinsecurities.com	Softlogic Stockbrokers (Private) Limited Level 16, One Galle Face Tower, Colombo 02. Tel: +94 11 7 277 000 Fax: +94 11 7 277 099 Email: info@softlogicstockbrokers.lk
S C Securities (Private) Limited 5th Floor, No. 26 B, Alwis Place, Colombo 03. Tel: +94 11 4 711 000 / +94 11 4 711 001 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk	Somerville Stockbrokers (Private) Limited 410/95,1/1, Bauddhaloka Mawatha, Colombo 7 Tel: +94-11 2 502 858/ 62 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk
Wealthtrust Securities Limited No. 102/1, Dr. N.M. Perera Mawatha, Colombo 8. Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-Mail: info@wealthtrust.lk	Seylan Bank PLC Level 3, Seylan Towers, 90, Galle Road, Colombo 03 Tel: +94 11 245 6300 Fax: +94 11 245 2215 E-Mail: info@seylan.lk

ANNEXURE V - CUSTODIAN BANKS

Bank of Ceylon¹ (Head Office) 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2 204 064	Citi Bank, N A 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 4 794 733
Commercial Bank of Ceylon PLC Commercial House, 21, Bristol Street, Colombo 01 T: +94 11 2 440010-15	Deutsche Bank AG 86, Galle Road, Colombo 03 T: +94 11 2 447 062, 2 438 057
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 77 7 712 406	The Hong Kong and Shanghai Banking Corporation Limited 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
People's Bank (Head Office) Treasury, 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2 206 782	Standard Chartered Bank 37, York Street, Colombo 01 T: +94 11 2 480 450
Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5 331 458, +94 11 4 730 662	State Bank of India 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 4 622 350
Seylan Bank PLC Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 4 701 812, +94 11 4 701 819	Union Bank of Colombo PLC 64, Galle Road, Colombo 03 T: +94 11 2 374 205
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4 313 131	Pan Asia Bank 450, Galle Road, Colombo 03 T: +94 11 2 565 565
National Development Bank PLC No.40, Navam Mawatha, Colombo 02 T: +94 (0) 11 2 448 448	DFCC Bank PLC No.73/5, Galle Road, Colombo 03. T: +94 112 442 031

ANNEXURE VI – FATCA DECLARATION

Manager

Alliance Finance Company PLC

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I/We.....

.....and.....

.....of.....

(address).....holder/s of Passport Number/

NIC Number..... who fall under definition of a US Persons under the provision of the Foreign Account Tax Compliance Act (“FATCA”) which is a US legislation aimed at preventing tax evasion by US persons through overseas assets. I/We confirm that I/We understand FATCA is extraterritorial by design and requires “US Persons” to report their financial assets held overseas.

I/We hereby request Alliance Finance Company PLC which is recognized as a Foreign Financial Institutions (FFIs) in terms of the FATCA to report all information pertaining to the accounts and investments held by me/us in the Alliance Finance Company PLC and to remit any tax payable to the Internal Revenue Services (IRS) of the United States of America. I/We further confirm that this request is made by me/us with full knowledge and understanding of FATCA.

Date:.....

Signature/s of Applicants