



Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

28th May 2024

The Board of Directors
Asia Asset Finance PLC,
No. 76, Park Street,
Colombo 02.

Dear Sirs,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF ASIA ASSET FINANCE PLC

Introduction

This report has been prepared for the inclusion in the Prospectus of Asia Asset Finance PLC for the purpose of the issue of listed, rated, unsecured, senior, redeemable, 3- and 5-year debentures amounting to Rupees one thousand million (Rs. 1,000,000,000/-), with an option to issue further debentures to the value of Rupees one thousand million (Rs. 1,000,000,000/-) in the event of an oversubscription of the initial issue.

We have examined the financial statements of Asia Asset Finance PLC for the years ended 31st March 2020 to 31st March 2024 and report as follows:

1. Incorporation

Asia Asset Finance PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011 (formerly the Finance Companies Act No.78 of 1988). The Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company and the principal place of business are located at No 76, Park Street, Colombo 02.

2. Appointment of auditors

We were appointed as Auditors of Asia Asset Finance PLC with effect from the financial year ended 31st March, 2015.

3. Financial statements

3.1 Five year summary of audited financial statements

A summary of audited statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows of Asia Asset Finance PLC for the financial years ended 31st March 2020 to 31st March 2024, are set out on Appendix 1 to the report.



3.2 Audited financial statements for the year ended 31st March 2024

Our audit report on the financial statements for the year ended 31st March, 2024 together with the financial statements comprising the statement of financial position, statement of income and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows along with the accounting policies and notes thereon is available on the website of Colombo Stock Exchange, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version.

3.3 Audit reports

We have audited the financial statements of the Company for the financial years ended 31st March, 2020 to 31st March 2024. Audit opinions issued are summarized in the table below:

Financial year ended 31 st March	Audit opinion
2020	Unmodified audit opinion
2021	Unmodified audit opinion
2022	Unmodified audit opinion
2023	Unmodified audit opinion
2024	Unmodified audit opinion

3.4 Going concern

No reservations have been made in the auditor's reports on the going concern of the Company during the last five years.

3.5 Accounting policies

The financial statements of Asia Asset Finance PLC for the financial years ended 31st March 2020 to 31st March 2024 have been prepared in accordance with Sri Lanka Accounting Standards.

The accounting policies are stated in detail in the audited financial statements of Asia Asset Finance PLC for the year ended 31st March 2024.

3.6 Dividends

The Company has paid the following dividends in respect of Preference shares during the financial years ended 31st March 2020 to 31st March 2024.

Financial year	Dividend paid (Rs.)	Dividend per share (Rs.)
2019/20	-	-
2020/21	-	-
2021/22	-	-
2022/23	28,978,958	0.70
2023/24	28,978,958	0.70



3.7 Events after the reporting date

There were no significant events which occurred after the last audit report date.

4. Restriction on use

This report is made solely for the purpose of the Board of Directors of Asia Asset Finance PLC for usage in the application for the purpose of issue of listed, rated, unsecured, senior, redeemable, 3- and 5-year debentures amounting to Rupees one thousand million (Rs. 1,000,000,000/), with an option to issue further debentures to the value of Rupees one thousand million (Rs. 1,000,000,000/-) in the event of an oversubscription of the initial issue.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work and for this report we have prepared. This report should not be used, circulated, quoted or otherwise referred to for any other purposes.

Yours faithfully,

BDO Partners

CHARTERED ACCOUNTANTS

HSR/cc

ASIA ASSET FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

APPENDIX 1

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	5,682,401,629	5,391,701,835	2,576,080,610	2,725,047,627	3,043,709,078
Less: Interest expenses	(4,250,407,673)	(3,651,051,365)	(1,324,236,291)	(1,462,362,856)	(1,704,234,090)
Net interest income	1,431,993,956	1,740,650,470	1,251,844,319	1,262,684,771	1,339,474,988
Net trading gain/(loss) on held for trading securities	-	-	-	-	(125)
Fees and commission income	909,003,149	602,384,100	591,567,029	213,465,679	-
Other operating income	12,146,299	12,249,081	15,065,243	16,301,295	288,910,201
Less: Operating expenses					
Personnel expenses	(450,124,348)	(413,680,997)	(333,319,633)	(276,092,770)	(310,582,828)
Depreciation and amortization cost	(145,311,174)	(130,043,715)	(128,652,792)	(92,295,335)	(7,041,239)
General and administration expenses	(774,476,850)	(853,005,581)	(664,817,564)	(609,275,579)	(782,395,544)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(505,038,637)	(556,092,219)	(492,904,301)	(382,940,886)	(381,654,114)
Operating profit before value added tax on financial services	478,192,395	402,461,139	238,782,301	131,847,175	146,711,339
Value added tax on financial services	(104,704,556)	(42,825,463)	(36,500,000)	(45,100,000)	(53,404,047)
Profit before income tax	373,487,839	359,635,676	202,282,301	86,747,175	93,307,292
Income tax expenses	(29,301,136)	(64,300,254)	(83,720,568)	(41,551,058)	(23,162,926)
Profit for the year	344,186,703	295,335,422	118,561,733	45,196,117	70,144,366
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)					
Surplus on revaluation reserve on PPE	43,511,089	-	-	-	-
Deferred tax effect on components of other comprehensive income	(13,053,327)	-	-	-	-
Actuarial gain/(loss) on retirement benefit liability	12,730,464	8,482,160	1,164,300	4,379,407	(2,075,633)
Deferred tax effect on components of other comprehensive income	(3,819,139)	2,544,648	(279,432)	1,051,058	(498,152)
Other comprehensive income / (expense) for the year net of tax	39,369,087	11,026,808	884,868	5,430,465	(2,573,785)
Total comprehensive income for the year	383,555,790	284,308,614	119,446,601	50,626,582	67,570,581
Earnings per share - basic	2.77	2.38	0.95	0.36	0.57

Figures in brackets indicate deductions.

ASIA ASSET FINANCE PLC
STATEMENT OF FINANCIAL POSITION

APPENDIX 1 (CONTD...)

	31/03/2024	31/03/2023	31/03/2022	31/03/2021	31/03/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Cash and cash equivalents	3,887,692,725	2,063,128,895	1,397,632,551	1,006,233,476	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	1,755,472,300	2,444,830,041	989,433,452	654,692,844	860,630,696
Financial assets at amortized cost - Loans and advances	18,791,889,311	19,028,664,556	14,729,182,119	10,198,262,863	8,913,047,650
Financial assets at amortized cost - Lease rentals receivable and hire purchase	265,619,140	449,636,218	1,084,117,530	2,212,534,894	3,726,488,702
Other assets	130,133,093	127,559,654	123,152,101	121,313,548	16,983,813
Income tax receivable	-	27,593,548	27,698,763	27,698,763	27,736,580
Advances, deposits and prepayments	102,813,725	77,034,568	104,518,028	152,407,430	156,189,223
Financial assets - Fair value through Other comprehensive income/ available for sale	506,659	506,659	506,659	506,659	506,659
Property, plant and equipment	313,284,112	203,787,014	184,377,810	156,436,176	138,032,482
Right-of-use assets	186,439,061	180,642,208	196,496,795	217,810,352	137,210,457
Investment property	324,299,107	324,062,193	359,055,287	376,158,647	399,678,109
Deferred tax assets	38,550,183	37,422,647	101,422,648	185,422,647	225,922,647
Intangible assets	46,617,448	47,676,226	44,194,279	40,951,790	40,220,339
Total assets	25,843,316,864	25,012,544,427	19,341,788,022	15,350,430,089	15,154,586,490
LIABILITIES					
Financial liabilities - Due to banks	47,637,705	3,763,272	38,990,640	24,279,289	58,777,776
Other liabilities	558,959,632	228,236,872	80,227,361	40,308,402	96,622,133
Income tax payable	17,953,458	-	-	-	-
Financial liabilities - Other borrowed funds	6,050,495,203	6,062,427,129	5,458,426,482	4,778,758,726	6,086,325,326
Lease liability	219,443,235	199,066,151	207,778,443	213,877,898	126,200,873
Due to customers	14,485,136,166	13,274,968,572	8,695,180,272	7,011,525,892	6,585,234,705
Debenture	1,058,730,444	2,187,519,136	2,072,877,339	1,029,465,109	-
Retirement benefit obligation	39,543,426	45,722,533	32,796,379	30,135,378	29,972,864
Total liabilities	22,477,899,269	22,001,703,665	16,586,276,916	13,128,350,694	12,983,133,677
SHAREHOLDERS' FUNDS					
Stated capital	2,205,463,801	2,205,463,801	2,205,463,801	1,791,478,691	1,791,478,691
Retained earnings	794,058,041	588,534,571	464,777,293	351,303,022	303,207,769
Statutory reserve fund and other reserves	365,895,753	216,842,390	85,270,012	79,297,682	76,766,353
Total equity	3,365,417,595	3,010,840,762	2,755,511,106	2,222,079,395	2,171,452,813
Total equity and liabilities	25,843,316,864	25,012,544,427	19,341,788,022	15,350,430,089	15,154,586,490
Commitments and Contingencies	897,183,504	598,044,570	736,356,192	343,139,968	680,417,899
Net assets value per share	27.10	24.24	22.19	17.89	17.50

Figures in brackets indicate deductions.

ASIA ASSET FINANCE PLC
STATEMENT OF CHANGES IN EQUITY

APPENDIX 1 (CONTD...)

	Stated capital Rs.	General reserve Rs.	Statutory reserve fund Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31st March 2019	<u>1,640,493,541</u>	<u>3,000,000</u>	<u>70,387,374</u>	<u>239,007,167</u>	<u>1,952,888,082</u>
Total comprehensive income for the year					
Profit for the year	-	-	-	70,153,366	70,153,366
Other comprehensive expense (net of tax)	-	-	-	(2,573,785)	(2,573,785)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,579,581</u>	<u>67,579,581</u>
Transactions with equity holders recognized directly in equity					
Proceeds from right issue of ordinary shares	150,985,150	-	-	-	150,985,150
Transfers to reserves	-	-	3,378,979	(3,378,979)	-
Total transactions with equity holders	<u>150,985,150</u>	<u>-</u>	<u>3,378,979</u>	<u>64,200,602</u>	<u>218,564,731</u>
Balance as at 31st March 2020	<u>1,791,478,691</u>	<u>3,000,000</u>	<u>73,766,353</u>	<u>303,207,769</u>	<u>2,171,452,813</u>
Total comprehensive income for the year					
Profit for the year	-	-	-	45,196,117	45,196,117
Other comprehensive expense (net of tax)	-	-	-	5,430,465	5,430,465
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,626,582</u>	<u>50,626,582</u>
Transactions with equity holders recognized directly in equity					
Transfers to reserves	-	-	2,531,329	(2,531,329)	-
Total transactions with equity holders	<u>-</u>	<u>-</u>	<u>2,531,329</u>	<u>48,095,253</u>	<u>50,626,582</u>
Balance as at 31st March 2021	<u>1,791,478,691</u>	<u>3,000,000</u>	<u>76,297,682</u>	<u>351,303,022</u>	<u>2,222,079,395</u>

ASIA ASSET FINANCE PLC
STATEMENT OF CHANGES IN EQUITY

APPENDIX 1 (CONTD...)

	Ordinary Share capital Rs.	Preference Share capital Rs.	General reserve Rs.	Statutory reserve fund Rs.	Revaluation reserve fund Rs.	Regulatory loss allowance reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31st March 2021	<u>1,791,478,691</u>		<u>3,000,000</u>	<u>76,297,682</u>			<u>351,303,022</u>	<u>2,222,079,395</u>
Total comprehensive income for the year								
Profit for the year	-	-	-	-			118,561,733	118,561,733
Other comprehensive expense (net of tax)	-	-	-	-			884,868	884,868
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>119,446,601</u>	<u>119,446,601</u>
Transactions with equity holders recognized directly in equity								
Proceeds from right issue of preference shares	-	413,985,110	-	-			-	413,985,110
Transfers to reserves	-	-	-	5,972,330			(5,972,330)	-
Total transactions with equity holders	<u>-</u>	<u>413,985,110</u>	<u>-</u>	<u>5,972,330</u>			<u>113,474,271</u>	<u>533,431,711</u>
Balance as at 31st March 2022	<u>1,791,478,691</u>	<u>413,985,110</u>	<u>3,000,000</u>	<u>82,270,012</u>			<u>464,777,293</u>	<u>2,755,511,106</u>
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	295,335,422	295,335,422
Other comprehensive expense (net of tax)	-	-	-	-	-	-	(11,026,808)	(11,026,808)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,308,614</u>	<u>284,308,614</u>
Transactions with equity holders recognized directly in equity								
Dividend paid - preference shares							(28,978,958)	(28,978,958)
Transfers to reserves				56,861,723	-		(56,861,723)	
Transfers to reserves				-	-	74,710,655	(74,710,655)	
Total transactions with equity holders	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,861,723</u>	<u>-</u>	<u>74,710,655</u>	<u>123,757,278</u>	<u>255,329,656</u>
Balance as at 31st March 2023	<u>1,791,478,691</u>	<u>413,985,110</u>	<u>3,000,000</u>	<u>139,131,735</u>	<u>-</u>	<u>74,710,655</u>	<u>588,534,571</u>	<u>3,010,840,762</u>
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	344,186,703	344,186,703
Transfers to reserves	-	-	-	-	43,511,089.00	-	-	43,511,089
Actuarial gain on retirement benefit liability	-	-	-	-	-	-	12,730,464	12,730,464
Other comprehensive expense (net of tax)	-	-	-	-	(13,053,327.00)	-	(3,819,139)	(16,872,466)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,457,762.00</u>	<u>-</u>	<u>353,098,028</u>	<u>383,555,790</u>
Transactions with equity holders recognized directly in equity								
Dividend paid - preference shares	-	-	-	-	-	-	(28,978,958)	(28,978,958)
Transfers to reserves	-	-	-	68,837,340	-	-	(68,837,340)	-
Reversal of depreciation	-	-	-	-	-	-	-	-
Transfers to reserves	-	-	-	-	-	49,758,260	(49,758,260)	-
Total transactions with equity holders	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,837,340</u>	<u>30,457,762</u>	<u>49,758,260</u>	<u>205,523,470</u>	<u>354,576,832</u>
Balance as at 31st March 2024	<u>1,791,478,691</u>	<u>413,985,110</u>	<u>3,000,000</u>	<u>207,969,075</u>	<u>30,457,762</u>	<u>124,468,915</u>	<u>794,058,041</u>	<u>3,365,417,594</u>

Figures in brackets indicate deductions.

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Profit before income tax	373,487,839	359,635,676	202,282,303	86,747,175	93,316,292
Adjustments for					
Depreciation and amortization	78,086,569	64,806,550	72,580,622	51,276,593	51,791,363
Amortisation of right-of-use-assets	67,224,605	65,237,164	61,492,097	41,018,741	29,177,605
Interest expenses on lease liability	42,338,086	31,420,978	25,478,575	20,009,922	17,234,710
Impairment of lease hire purchase, loans and advances	505,038,637	556,092,219	492,904,300	382,940,886	381,645,114
Early termination of loans, leases and hire purchase	(10,044,184)	17,618,156	(37,203,068)	(29,908,552)	(51,580,552)
Non-cash items included in profit before tax (WHT and Notional tax)	-	(268,538)	-	37,817	(1,264,129)
Net interest adjustment under SLFRS - 09	-	-	-	-	31,765,157
Interest income on commercial papers	-	-	-	-	(6,170,583)
Interest income on unit trust	-	-	-	-	(3,493,043)
Interest income on short-term investment	-	-	-	(18,852,915)	-
Profit on sale of held for trading securities	-	-	-	-	125
Gains from sale of property, plant and equipment, investment	1,077,345	(3,911,152)	(2,230,807)	(8,958,592)	(182,714)
Gain on expiration of operating lease agreement during the year	-	(2,166,889)	(1,719,551)	-	-
Profit on sale of vehicle stock	-	-	-	-	1,133,738
Provision for retirement benefit liability	14,035,862	8,762,394	6,051,551	7,163,721	7,041,239
Interest expense on other borrowings	1,183,003,442	1,150,280,663	463,925,159	695,547,058	897,277,265
Interest expense on debentures	361,151,772	380,783,577	166,360,280	47,070,376	-
Profit from operation before working capital changes	2,615,399,973	2,628,290,798	1,449,921,461	1,274,092,230	1,447,691,587
(Increase)/decrease in lease rentals receivable and hire purchase	228,079,868	644,983,536	1,085,312,948	1,592,530,924	279,318,715
(Increase)/decrease in loans and advances	(302,281,998)	(4,883,695,032)	(4,947,566,069)	(1,716,824,690)	(1,724,658,389)
(Increase)/decrease in other receivables	(2,573,439)	(4,407,550)	(101,514,786)	(126,272,144)	(472,010)
(Increase)/decrease in deposits and prepayments	(25,779,157)	(23,785,190)	141,585,636	(95,894,459)	(31,671,976)
Increase in deposits from customers	1,210,167,594	4,579,788,301	1,681,493,888	428,451,679	(32,110,250)
Increase/(decrease) in other liabilities	330,029,127	194,733,490	41,310,965	63,144,462	(120,541,238)
Net cash from operating activities before income tax payments	4,053,041,968	3,135,908,353	(649,455,957)	1,419,228,002	(182,443,561)
Taxes paid	(1,754,130)	(2,471,149)	-	-	(22,740,148)
Gratuity paid	(7,484,505)	(4,318,400)	(2,226,250)	(2,621,800)	(1,232,500)
Lease rent advance paid	(94,982,460)	(82,804,290)	(63,288,541)	(53,951,533)	-
Rent paid	-	-	-	-	(42,557,697)
Dividend paid	(28,978,958)	(28,978,958)	-	-	-
Net cash used in operating activities	3,919,841,915	3,017,335,556	(714,970,748)	1,362,654,669	(248,973,906)
Cash flows from/(used in) investing activities					
Acquisition of property, plant and equipment	(142,266,165)	(74,641,867)	(81,044,789)	(65,141,353)	(27,787,206)
Acquisition of intangible assets	(8,472,875)	(12,443,299)	(12,276,583)	(6,956,240)	(17,178,378)
Acquisition of investment property	(1,452,837)	(700,000)	-	(315,000)	(5,859,596)
Proceeds from sale of investment property	-	37,500,000	12,210,000	30,900,000	-
Settlement for intangible asset	-	(1,316,500)	-	-	-
Proceeds from sale of vehicle stock	-	-	-	-	17,779,831
Investments in short-term investment	-	-	-	(980,000,000)	-
Proceeds from short-term investment	-	-	-	998,852,915	-
Investments in commercial papers	-	-	-	-	(280,000,000)
Proceeds from commercial papers	-	-	-	-	286,170,538
Investment in Unit Trust	-	-	-	-	(250,000,000)
Proceeds from Unit Trust	-	-	-	-	253,493,043
Proceeds from sale of property, plant and equipment	8,557,452	2,808,208	730,795	3,578,913	602,054
Net cash from/(used in) investing activities	(143,634,425)	(48,793,458)	(80,380,577)	(19,080,765)	(22,779,669)
Cash flows from/(used in) financing activities					
Repayment of other borrowed funds	(5,037,935,369)	(4,585,280,017)	(4,182,257,403)	(4,686,113,659)	(4,421,488,570)
Proceeds from other borrowed funds	3,843,000,000	4,039,000,000	4,398,000,000	2,683,000,000	4,651,801,017
Proceeds from the Right Issue of Shares	-	-	-	-	150,985,150
Proceeds from the Debenture issue	-	-	992,025,770	982,394,733	-
Repayment of Debenture	(1,489,940,465)	(266,141,780)	(114,973,820)	-	-
Proceeds from the preference share issue	-	-	413,985,110	-	-
Net cash flows from/(used in) financing activities	(2,684,875,834)	(812,421,797)	1,506,779,657	(1,020,718,926)	381,297,597
Net increase in cash and cash equivalents	1,091,331,656	2,156,120,301	711,428,332	322,854,978	109,544,022
Cash and cash equivalents at the beginning of the year	A 4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053	1,204,248,031
Cash and cash equivalents at the end of the year	B 5,595,527,320	4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053
At the beginning of the year (A)					
Cash and cash equivalents	2,063,128,895	1,397,632,551	1,006,233,476	511,939,133	643,777,198
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	2,444,830,041	989,433,452	654,692,844	860,630,696	691,744,740
Bank overdraft	(3,763,272)	(38,990,640)	(24,279,289)	(58,777,776)	(131,273,907)
At the end of the year (B)					
Cash and cash equivalents	3,952,176,639	2,063,128,895	1,397,632,551	1,006,233,476	511,939,133
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	1,690,988,386	2,444,830,041	989,433,452	654,692,844	860,630,696
Bank overdraft	(47,637,705)	(3,763,272)	(38,990,640)	(24,279,289)	(58,777,776)
	5,595,527,320	4,504,195,664	2,348,075,363	1,636,647,031	1,313,792,053

Figures in brackets indicate deductions.