ANNUAL REPORT 2021 /2022

unlocking OUR TRUE SELF

Orient Finance
A Janashakthi Group Company

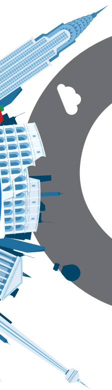
ORIENT FINANCE PLC

OUR
TRUE SEL

Unlocking Our True Self

The true traits of perseverance come to light only amidst times of adversity. As the world continues to reel from the pandemic, Sri Lanka too continues to undergo its own mix of challenges – on both economic and social fronts. It is during times such as these, that our concerns for the future take a toll. And it is during such tough economic situations that financial institutions need to remain defiant in the face of unexpected twists and turns.

Having adjusted to the situation at hand, Orient Finance reaffirmed our customers of our ability to foster their financial safety and their dreams for the future. In this regard, the profitable outcome of the year is a mark of our resilience, while the continued ability to secure financial means on behalf of our customers demonstrates how we have remained true to ourselves – to our vision and our promises.



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Orient Finance

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VISION

"To be a leading provider of unique Financial Solutions"

MISSION

- Striving to maintain the highest service excellence to our customers
- Creating wealth for our shareholders
- Engaging in best business practices
- Assuring the well-being of our employees

CORE VALUES

- Ethics and Honest: Uphold the highest ethical standards and balance the interests of all our stakeholders in a fair and equitable manner.
- Collaborative: Always work as one team across all functions to deliver the best possible experience to our stakeholders. Respectful: Treat others the way you expected to be treated. Respect and value everyone's opinion, time and space.
- Performance Driven: Maintain a consistently high level of quality across all your work and deliver results on all your commitments
- Transparent: Always share relevant information, intentions, rationales and expectations openly and clearly, and ready to give and receive feedback.

ABOUT THIS REPORT

Welcome to our 2nd integrated Annual Report for the reporting period, which ended on the 31st of March 2022. We formulate and present an Integrated report to demonstrate how we incorporate integrated thinking in our business approach. The report presents key stakeholder engagement, the year's business environment, strategy and actions, operational and financial performance alongside risk management, governance, and social responsibility initiatives. The report has been prepared in accordance with guidelines set out by the International Integrated Reporting Council (IIRC)'s IR Framework. The audited Financial Statements and the related notes and requisite disclosures are set out in the report

METHODOLOGY

The report is intended to inform stakeholders of Orient Finance PLC about the manner in which the Company managed core business activities to generate steady financial gains, and plan for sustainable growth through creating value. While the report follows the guidelines set by the International Integrated Reporting Council (IIRC)'s IR Framework, the disclosures and integrated framework is expected to evolve and mature further in the years to come. The senior management confirms the materiality and comprehensiveness of information and data detailed in this report. Sustainability reporting is not externally assured.

Nevertheless, the financial statements presented in this report comply with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Financial and non-financial information is presented to conform to the requirements of the integrated reporting framework of the International Integrated Reporting Council (IIRC), where applicable. The Corporate Governance information presented in this report complies with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

INQUIRIES

Queries and clarifications, if any, are to be directed to:

Mr. Sanjeeva Jayasinghe
Head of Finance

Orient Finance PLC
No. 19, Railway Avenue, Nugegoda
Tel : 0117 577 566
E-mail : sanjeevaj@orient.lk

FINANCIAL HIGHLIGHTS

31ST MARCH		2021/2022	2020/2021	Change %
Results for the Year				
Income	Rs. Mn.	**2,972**	2,675	11.08
Interest Income	Rs. Mn.	**2,709**	2,441	10.98
Interest Expenses	Rs. Mn.	**(1,159)**	(1,334)	(13.07)
Net Interest Income	Rs. Mn.	**1,549**	1,107	39.96
Profit/(Loss) Before Tax	Rs. Mn.	**453**	260	74.33
Profit/(Loss) After Tax	Rs. Mn.	**453**	193	134.03
Position at the Year end				
Shareholders' Funds	Rs. Mn.	**3,332**	2,886	15.41
Customer Deposits	Rs. Mn.	**9,204**	8,692	5.88
Loans and Advances to Customers	Rs. Mn.	**14,126**	11,447	23.40
Total Assets	Rs. Mn.	**17,727**	14,888	19.06
Per Share				
Earnings /(loss) per share	Rs.	**2.15**	0.92	
Market Price Per Share	Rs.	**13**	13.9	
Net Assets Per Share (Year-end)	Rs.	**15.78**	13.68	
Ratios				
Gross Profit/(Loss)	%	**52%**	41%	
Interest Margin	%	**11.28**	9.31	
Return on Equity	%	**14.57**	6.92	
Return on Assets (Before Tax)	%	**2.78%**	1.27%	
Statutory Ratios				
Core Capital to Risk Weighted Assets Ratio (Minimum 7%)	%	**14.38**	9.71	
Total Capital to Risk Weighted Assets Ratio (Minimum 11%)	%	**15.38**	11.13	
Liquidity Ratio (Min.10%)	%	**11.99**	12.56	

NON-FINANCIAL HIGHLIGHTS

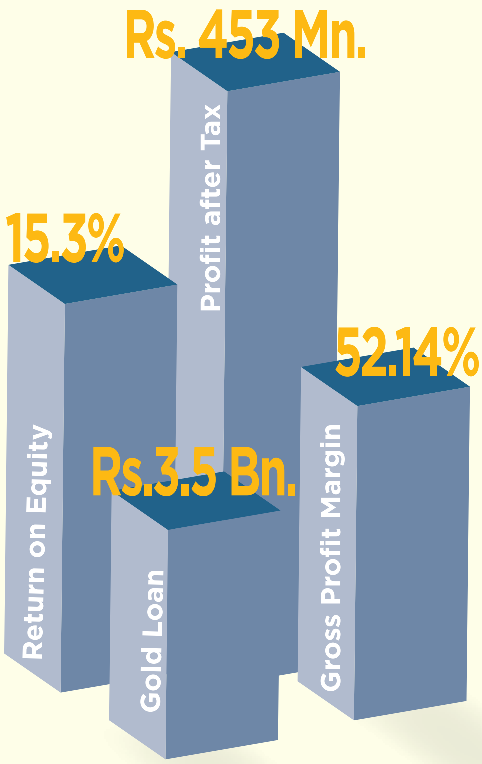
Macro dimension	Indicator	Measurement	2021/2022	2020/2021
Economic Well-being	Economic value creation	Rs. Mn.	**2,428**	2,326
	Economic value distribution to:			
	Depositors and Lenders	Rs. Mn.	**1,187**	1,597
	Employees	Rs. Mn.	**605**	400
	Government	Rs. Mn.	**156**	69
	Shareholders	Rs. Mn.	**453**	194
	New gold loan business	No.	**2**	3
Business Sophistication	Product and business solutions	No.	**8**	6
	Branches relocated	No.	**3**	2
	Total workforce	No.	**495**	441
	Employees recruited	No.	**174**	96
Employee Well-being	Total training hours	No.	**1618**	798
	Bonus	No.	**Three times**	Two times
Customers	Total Customer base		**50,000+**	46,000+

23.4%

GROWTH IN LOAN AND ADVANCES TO CUSTOMERS

15.38%

TOTAL CAPITAL ADEQUACY RATIO



Composition of Loans and Receivable

- Lease Receivable
- HP Receivable
- Gold Loan Receivable
- Factoring Receivable
- Other Loans Receivable
- Alternative Finance

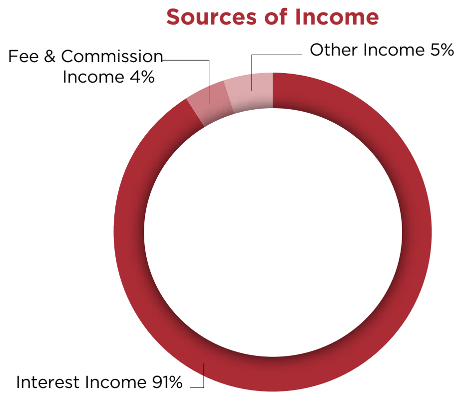
Composition of Interest Income

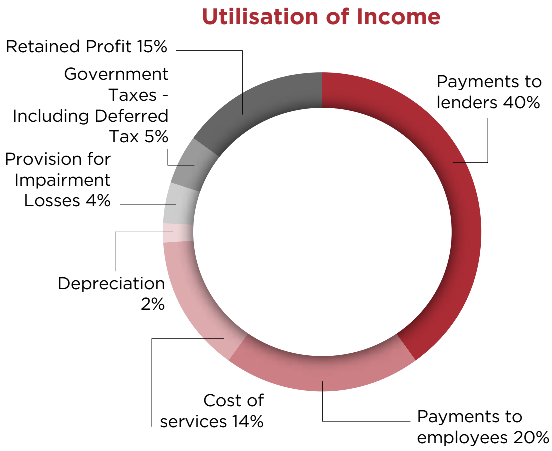
- Finance Lease
- Alternative Finance
- Factoring
- Loans
- Gold Loans
- Investments

OUR CONTRIBUTION TO THE ECONOMY

	Year 2022 Rs. Mn.	Year 2021 Rs. Mn.
Sources of Income		
Interest Income	**2,709**	2,441
Fee & Commission Income	**102**	123
Other Income	**161**	112
Economic Value Generated	**2,972**	2,676

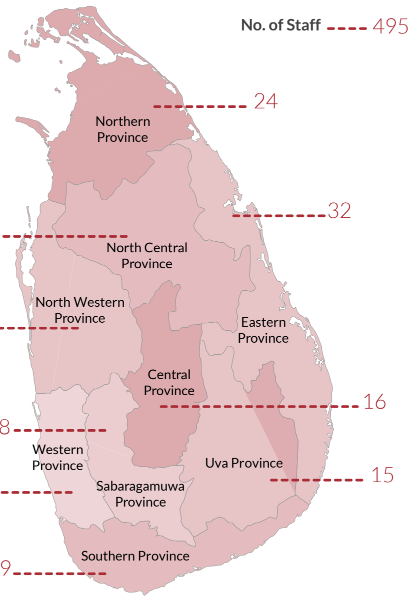
Utilisation of Income	Mechanism		
Payments to lenders	Interest expenses	**1187**	1328
Payments to employees	Employee Salaries and benefits	**605**	400
Cost of services	Operation cost	**419**	239
Depreciation	Operation cost	**45**	69
Provision for impairment losses	Operation cost	**125**	110
Government taxes - including deferred tax	Tax payments	**156**	69
Retained profit	Value retained	**435**	194
Economic value distribution		**2972**	2676





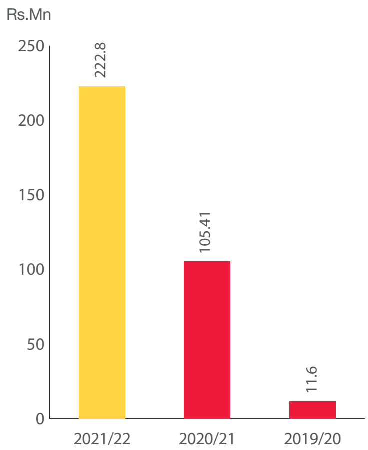
Value Allocated to Lenders	Rs. Mn.	2021/22 Rs. Mn.	2020/21 Rs. Mn.
As a Financial services organisation, we treated fixed deposit and savings holders as major stakeholders of the Company. We have paid Rs.826 Mn as interest during the financial year 2021/22	Interest paid to Fixed Deposit holders	**824**	977
	Interest paid to Savings Deposit holders	**2**	1.8
	Interest paid to Banks on borrowings	**361**	349

Value Allocated to Employees		2021/22	2020/21
We provide employment to over 495 individuals through branches established across the country. We have offered competitive market salary scales and benefits to all staff and has offered new job opportunities each year - contributing indirectly towards the creation of thousands of job opportunities across Sri Lanka.	Salaries and allowances Rs. Mn.	**605**	400
	Bonus	**Three times of per month salary**	Two times of per month salary



Tax Payment to Government		2021/22	2020/21
Orient Finance PLC's tax policy and procedures are in - line with the Inland Revenue Act. We have paid Rs. 222.8 Mn. through direct and indirect taxes.	**Direct Taxes (Rs. Mn.)**		
	Value added tax on financial services	**149.7**	66.2
	Crop insurance levy	**4.3**	0.91
	Indirect Taxes (Rs. Mn.)		
	Stamp Duty	**1.9**	1.4
	Total (Rs. Mn.)	**155.9**	68.51
	Collected and paid (Rs. Mn.)		
	Stamp Duty	**66.9**	36.9
	Total (Rs. Mn.)	**222.8**	105.41

Tax paid to Government



ABOUT THE COMPANY

OUR DIRECTION

Orient Finance PLC strives to charter a new path in the financial industry by adopting purposeful strategies to create long-term value for all stakeholders while supporting wealth creation of our customers. Our business approach and corporate culture give rise to a service offering that goes beyond mainstream financial solutions to assist the business journey of our customers in our quest to grow together.

OUR ORIGINS

Orient Finance PLC (formerly Bartleet Finance PLC) was first incorporated in 1981. In 2015, in pursuance of the financial sector consolidation programme of the CBSL, Bartleet Finance PLC and Orient Finance were merged and the resultant entity continued as Orient Finance PLC. At present, the Company is pursuing a new growth trajectory in conjunction with the parent Company – Janashakthi Limited, a trusted brand. Over the last four decades, we have been offering a diverse clientele with, relevant and resourceful financial solutions. We offer our customers a plethora of services including Fixed Deposits, Savings Accounts, Leasing, Gold Loans, Working Capital and Corporate Financing.

OUR MOTIVATION

At Orient Finance PLC, our aim is to assist our customers on their business journey by providing straightforward, innovative and relevant financial solutions calculated to minimise risk and maximise return on investment. Our products and services facilitate our customers to evolve with the modern world and seek sustainable growth.

OUR CORE VALUES

Our fundamental values of ethical conduct, honesty, transparency, performance-driven business approach, respect and collaboration pave the way for our growth.

unlocking

OUR TRUE SELF

LEADERSHIP

CHAIRMAN'S MESSAGE

THE SPIRIT OF UNITY, UNWAVERING DEDICATION, AND PROFESSIONALISM OF THE ORIENT FINANCE PLC STAFF CONTRIBUTED TO THE SUCCESS.

Rs.
17.7 Bn
ASSET BASE

The year under review marked one of the toughest periods in recent history in terms of the economic and social impact of the COVID-19 pandemic and the resulting economic downturn which was complicated further due to a combination of economic and geopolitical challenges. While the pandemic-driven socioeconomic downturn impacted the world, Sri Lanka in particular experienced the repercussions of the debt and balance of payment crisis. Amidst this complex and daunting status quo, Orient Finance PLC adopted a number of interconnected mitigating and growth strategies that served the Company well to achieve not only profitability in spite of the challenging environment but also charter the course for viable growth in the future.

THE GLOBAL CONTEXT

The January 2022 report released by the World Bank reveals that while global recovery rebounded in 2021, continued COVID-19 flare-ups, supply chain disruptions, and diminished policy support continued to pose challenges to emerging markets and developing economies (EMDEs), while advanced economies stabilised in view of robust fiscal policy support extended by Governments. The report illustrates the possibility of debt unsustainability as well as de-anchored inflation amongst EMDEs. Meanwhile, during the last quarter of the year, the impact of the Russia – Ukraine conflict increased global energy prices, which in turn increased shipping costs. As vaccine-resistant mutant variants of the COVID-19 virus emerged, the global economy faced a potential food shortage. International capital flows continued to face bottlenecks in view of US federal policy on interest rates.

THE IMPACT ON THE SRI LANKAN ECONOMY

The aforementioned confluence of economic factors largely impacted the Sri Lankan economy while the country's ballooning twin deficits of monetary expansion and fiscal deficit triggered widespread economic and social concerns. Hyperinflation remained a key concern amidst unsustainable debt and later the pre-emptive default on foreign debt announcement by the Government of Sri Lanka. As a result, the domestic financial market faces uncertainty with rising interest rates, impacting the re-pricing of lending rates and loss of customer confidence, decreasing repayment capacity, and the decline in disposable income inflicting further uncertainty. Meanwhile, the policy decision to ban chemical fertilizer severely affected the agricultural sector in the country, deepening the food crisis.

In this backdrop, the country is facing the looming threat of food shortages, unemployment, and unrest, calling for austerity measures and a need for sustainable policy decisions to stabilise the economy.

COMPANY PERFORMANCE

In response to the overwhelming challenges that prevailed during the year under review, Orient Finance PLC adopted a set of well-calculated strategies that took into consideration the ground reality and sought to sustain the operational integrity of the Company. As a result, the Company performed well during the year under review with the bottom-line improvements and net profit growth of 134%. While the Company continued to meet the regulator's minimum capital adequacy levels, the non-performing loan ratio decreased while outperforming the industry. Although the Company's stable outlook and performance during the year under review lends hope for future performance, the macroeconomic factors beyond our control will continue to impact our growth trajectory in 2022.

FUTURE OUTLOOK

The current status quo calls for an intensified focus on the liquidity of the balance sheet and preservation over profitability for our strategic impetus for the financial year 2022/23. The challenging economic context presents an opportunity for the Company to further explore and strengthen employee productivity, and crisis response ability and enhance the adaptation of technology in business operations not only within the scope of front-end customer experience but also the middle office and back-end operations. Such impetus will result in improving cost income amidst challenges to lending margins. Meanwhile, the presence of a highly engaged Board of Directors with a diverse set of skills, experiences, and qualifications bode well for the Company's operational sustainability in the short term and growth prospects in the long term.

ACKNOWLEDGMENT

The complex challenges of the financial year under review called for inspirational and far-seeing leadership. As such, I wish to pay tribute to the late Chairman of Orient Finance PLC (Mr. Anil Tittawella) for his able and visionary guidance that enabled the Company to ably navigate troubled waters. In the meantime, I am grateful to the Board of Directors for the dynamic leadership. The spirit of unity, unwavering dedication, and professionalism of the Orient Finance PLC staff contributed to the success of the Company in the financial year 2021/22. As such, I wish to express my sincere gratitude to the entire team for their hard work and commitment. Let us continue to safeguard the interest of all our stakeholders and pursue viable growth in the future.

Rajendra Theagarajah
Chairman
24th June 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

ORIENT FINANCE PLC OPERATED AS WELL CAPITALISED COMPANY, UNDER CATEGORY 'A' WHICH ENTAILS COMPANIES WITH ASSETS LESS THAN RS. 100BN

15.38%

TOTAL CAPITAL ADEQUACY RATIO

The year under review will go down in history as one of the most tumultuous years for the Sri Lankan economy and the finance industry. In response to the challenging environment, Orient Finance adopted a robust strategy of strengthening our communication channels to derive insights into prevalent challenges, and create feasible solutions to charter a sustainable path towards growth. As the year progressed, this strategic direction proved to be effective with the Company's commendable performance. During the financial year 2021/22, Orient Finance achieved a profit after tax (PAT) of Rs.453 Mn, proving our resilience and exceptional crisis management ability. Moreover, the Company's gross non-performing loan ratio significantly dropped from 9.54% at the beginning of the year to 5.89% by the latter part of the year under review.

MACROECONOMIC CONTEXT

The Sri Lankan economy had to bear the brunt of the repercussions of the COVID-19 pandemic including mobility restrictions and a slowdown in the economic activity. Meanwhile, unsustainable debt and balance of payment challenges pressurised the economy further. The country's year on year inflation rose up to 21.50% by March 2022 fueled by high food inflation, fuel price escalations and increasing global commodity prices. In this volatile macroeconomic context, the finance industry faced a plethora of challenges including depositors withdrawing their money driven by insolvency fears and losing confidence towards the financial sector.

INDUSTRY PERFORMANCE

Performance of the Non-Banking Financial Institution (NBFI) sector weakened, mainly triggered by a negative credit growth and high non-performing loans. The average industry non-performing loan ratio during the year under review was at 11.36% level. While larger players in the industry weathered the storm to a certain extent, they experienced spillover effects of the unsustainable economic environment. However, mid-sized NBFIs were able to withstand the negative impact of the sluggish economy in a positive manner.

COMPANY PERFORMANCE

Mindful of the risks of the prevalent socio-economic conditions, Orient Finance PLC approached the year under review with a comprehensive and far-reaching strategy which was formulated to, reinforce short-term profitability as well as business sustainability in the long run. As a result of this prudent strategic approach, Company's PAT grew by 134% to reach Rs. 453 Mn. compared to Rs. 194 Mn. in the previous financial year..

The gold loan portfolio and leasing portfolio of the Company increased by 62% and 16% respectively during the financial year 2021-22 despite the challenging conditions for business activities. The continuous support and backing of our parent the Janashakthi Group further strengthened Orient Finance PLC's performance during the financial year under review.

Orient Finance PLC continued to meet the CBSL minimum capital adequacy levels and was considered as a well-capitalised Company as per the CBSL guidelines indicated below. Accordingly, the total capital adequacy ratio of the company reached 15.38% by 31st March 2022 which is well above the required ratio of 14% applicable to the well capitalised category with assets less than Rs. 100 Bn.

PCA Capital Category	**LFCs with assets less than Rs.100 Bn**	**LFCs with assets of Rs.100 Bn or More**
	Total Adequacy Ratio (CAR)	
Well Capitalised	CAR>14%	CAR>16%
Adequately capitalised (above the regulatory minimum)	12.5%<CAR<14%	14%<CAR<16%
Undercapitalised	9.5%<CAR<12.5%	10%<CAR<14%
Significantly undercapitalised	6.5%<CAR<9.5%	7%<CAR<10%
Critically undercapitalised	CAR<6.5%	<7%

CHIEF EXECUTIVE OFFICER'S REVIEW

STRATEGY AND EXECUTION

The gradual revival of normalcy post-lockdown allowed us to resume lending and recovery activities by the second quarter of the year. Well aware of the risks stemming from the unfavourable economic status quo, we crafted a multi-pronged approach to ensure continuous value creation for all our stakeholders. Economic hardships negatively impacted the business continuity of customers which in turn affected their repayment ability of loans. In response to this, Orient Finance adopted a case by case loan restructuring process to allow customers to repay their loans in a flexible and sustainable manner, whilst continuing to rebuild their businesses. In providing flexible repayment solutions to customers, Orient Finance complied with the moratorium stipulation required by the CBSL. Nevertheless, the repayment plans were customised to meet the requirements of individual customers. In the meantime, we played an advisory role to offer guidance on business restructuring and financial management to customers. As the demand for registered vehicles soared with the ban imposed on importation of unregistered vehicles, Orient Finance intensified efforts in providing leasing facilities for registered vehicles.

Training and developing our frontline staff played an integral role in our strategic drive to navigate the challenging waters. We redirected our training towards enhancing communication competencies of frontline customer representatives to gain better market insights, comprehend customer requirements as well as overcome specific challenges in order to deliver pragmatic solutions. As such, we were able to nurture the trust of customers of towards Orient Finance PLC. Meanwhile, we introduced medical insurance covers to our depositors in view of the COVID-19 pandemic.

The Company's strategic drive proved to be a success as evidenced by the fact that we succeeded in reducing the loan debtors from Rs. 1.4 Bn at the beginning of the year to Rs. 577 Mn by end of the financial year 2021/22.

Meanwhile, the Company shifted gears to cater to a larger and more diverse mix of customers to enrich our portfolio in line with risk mitigation and viable growth plans. Reaching beyond the micro-finance level, the Company commenced lending to small and medium enterprises as well as high-net-worth corporate-clients, during the year under review.

FUTURE OUTLOOK

Despite the overwhelming challenges, Orient Finance endured and succeeded in making a positive shift towards the profitability, customer retention as well as establishing a culture of sustainable growth during the financial year 2021/22. However, with the impending economic downturn, mounting external debt and balance of payment issues will challenge the growth targets and the survival for next few years. The interest rate spikes, unstable cash flows of customers and weak economic sentiments will also challenge the growth prospects for next few years. Nevertheless, the Company continues to persevere on its pursuit of sustainable growth through the adoption of timely managed tools and strategies to build customer confidence and their wealth creation. Thus, although the future seems gloomy, Orient Finance is confident that implementing strategies to suit the current business climax and taking optimistic business decisions from time to time will assist the company to create a conducive environment to achieve its growth and profit targets in future.

ACKNOWLEDGMENT

Orient Finance PLC would not have been able to achieve this success and pave the path for future growth without the able commitment and support of the Board of Directors, the employees, shareholders and customers. I am ever grateful and shall cherish the tireless support extended by our late Chairman, Mr. Anil Tittawella PC towards helping to steer the company in reaching great heights. I wish to extend my sincere gratitude towards the current Chairman Mr. Rajendra Theagarajah and the Board of Directors for their leadership, unending support and guidance.

I would also like to thank the Governor of the Central Bank of Sri Lanka and all the Officials at the Department of Supervision of Non-Banking Financial Institutions, for their guidance and constant support.

Further, I am immensely thankful to the senior management and all the employees at Orient Finance for working unitedly towards achieving our goals. I also wish to extend my heartfelt gratitude towards our valued customers and shareholders for their trust placed in Orient Finance.

K.M.M Jabir
Executive Director/Chief Executive Officer
24th June 2022

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OUR TRUE SELF

STRATEGIC REPORT

VALUE CREATION MODEL

FINANCIAL CAPITAL INPUTS

Shareholders' Funds	Rs. 3,331 Mn	Shareholder's fund
Borrowers' Funds	Rs. 4,555 Mn	Borrowing
Customer Deposits	Rs. 9,204 Mn	Deposits

MANUFACTURING CAPITAL INPUTS

Lands and Building	Branches	31
Equipment	Property, Plant and Equipment	Rs. 84 Mn.
Infrastructure		

HUMAN CAPITAL INPUTS

Skills and Competence	Total Workforce 495	Motive employee	Employee
Experience	Investment on Training Rs. 256,500	Effective workforce	
Motivation and Innovation	Training Hours	New blood	

INTELLECTUAL CAPITAL INPUTS

Institutional Knowledge	Brand Value	Rs. 800.3 Mn
Technology and Systems	Investment in software	Rs. 62 Mn
Processes and Procedures		

SOCIAL & RELATIONSHIP CAPITAL INPUTS

Relationship with Communities	Customer	50,000 +
	Financial Product and solutions	8
Group of Stakeholders	Charity activities	8

NATURAL CAPITAL INPUTS

Water	Water Consumption
Energy	Energy Consumption

FINANCIAL CAPITAL OUTPUTS

Key Results

		Enhance	
Profit after Tax	Rs. 452.9	Financial growth and stability	
Return on Equity	15.3%	Competitive Price on leasing	Shareholder
Earnings per share	Rs. 2.15	Gold Loan	

MANUFACTURING CAPITAL OUTPUTS

		Strengths	
Total Branches	31	Arranging on work from home	
Investment in PPE	Rs. 58.4 Mn	System to streamline back end system	
		Bonus	

HUMAN CAPITAL OUTPUTS

		Reinforce	
Salaries – benefits	Rs. 605 Mn	Motive employee	Employee
Training Cost	Rs. 1.5 Mn	Effective workforce	
Motivation and Innovation	Training Hours 1618	New blood	

INTELLECTUAL CAPITAL INPUTS OUTPUTS

		Reinforce	
Brand Value	Rs. 800	Brand Name Enhanced	Business Partner
Investment in software	Rs. 62 Mn.	New Solutions	

SOCIAL & RELATIONSHIP CAPITAL OUTPUTS

		Reinforce	
Tax payments	Rs. 149	Contribution to Government	Society & Community
CSR Investment	Rs. 5.6 Mn	Trust stakeholder relationship	
Total Customer Base	100,000+		

NATURAL CAPITAL OUTPUTS

		Reinforce	Regulations
Energy Consumption		Reduce energy consumption	

STAKEHOLDER ENGAGEMENT

We rely on a holistic approach to comprehend the diverse and sometimes conflicting requirements of stakeholders, create value for each group and generate financial and operational gains while building a sustainable business to create value for the Company and all our stakeholders.

Our key stakeholder groups comprise six broad groups, namely; customers, employees, shareholders (Parent Company – Janashakthi Limited), Communities, Regulators and Business Partners. The below table illustrates a succinct glimpse of our relations with each stakeholder group, progress indicator and the value we create:

						Outcomes	
	Value for the stakeholder	**Value for the Company**	**Engagement**	**Indicator**	**Value creation**	**2021/2022**	**2020/21**
Customers	Timely and innovative financial solutions.	Higher revenue from existing and new customers.	Communication material	Customer base growth (%)	Providing comprehensive financial solutions and assisting in the wealth creation process	**8.70**	6.58
	Improved access to financial solutions	Enhanced customer loyalty	Website and social media platforms	Increase in the number of financial solutions		**8**	6
	Organisational stability	Enhanced brand reputation	24-hour call center Customer feedback	No. of complaints solved		**100%**	100%
Employees	A conducive and healthy work environment	An engaged and motivated workforce	Staff meetings				
				Employee volunteerism (hours)		**212**	145
	Opportunities for growth	Knowledgeable and talented workforce well-equipped to meet customer needs and contribute to company growth	Intranet and e-mail		Attracting and retaining industry top talent. Facilitating individual growth.		
	Performance-driven rewards system		Training	No. of employees		**495**	441
				Total headcount broken down by:			
				Male		**73%**	73%
				Female		**27%**	27%
			Performance appraisal	Training hours		**1618**	798
			Staff circulars	Investment (Rs.)		**256,500**	237,191

	Value for the stakeholder	Value for the Company	Engagement	Indicator	Value creation	Outcomes 2021/2022	Outcomes 2020/21
Shareholders (Parent Company, Janashakthi Limited)	Sustainable return on investment	Public trust in the brand	Progress reports and meetings	Return on equity (%)	Establishing a sustainable and agile business model for long-term and viable growth.	**14.57**	6.92
		Strong capital base	Monthly financial statements	Cost-to-income ratio (%)		**59.88**	72.40
				Return on assets (%)		**2.78**	1.27
			Group meetings				
			Business agreements				
			Annual Report				
			Annual General Meeting				
			Extraordinary General Meeting				
	Ethical engagement with the Company	Robust corporate governance, market integrity, good business practices	Meetings	Compliance with regulatory frameworks	Promote financial and economic stability, and contribute to strengthening the regulatory framework and market conditions.		
	Contribution to economic stability	Business sustainability	Annual Report				
			Disclosures				
			Industry forums				
Society and Environment	Contribution to economic stability	Potential market growth	Social media and websites	Number of CSR projects	Provision of access to financial solutions to all levels of society and contribute to sustainable economic growth.	**4**	2
			CSR projects	Energy efficiency and water usage (Gj)		**4,518**	4,498
	Increased access to funding	Brand reputation as a reliable financial solutions provider					

IDENTIFYING STAKEHOLDER GOALS

Our key stakeholder identification methodology revolves around their ability to impact our business as well as the decision making process. First of all, we identify specific, key stakeholder goals to determine their influence over us, involvement and the materiality that we place on each group. These goals allow us to define the scope and scale of relationships as well as the degree of engagement. The below table indicate specific goals we allocate to manage each stakeholder group's interest:

STAKEHOLDER ENGAGEMENT

Key stakeholders	Goals	Level of relationship	Level of engagement
Shareholders	Well capitalised and sustainable growth	XX	Consult
Customers	Customer satisfaction and due care	XXXXX	Services
Employees	Career progress and best place to work	XXXX	Team work
Communities	Empowering through CSR	XX	Collaborate
Regulators	Full statutory compliance	XXX	Collaborate
Business partners	Sustainable business practices	X	Collaborate

x - Low xxxx - High

MANAGING STAKEHOLDER RELATIONSHIPS

Stakeholder relationship management remains a pivotal aspect of our pursuit of growth and value creation and preservation on behalf of the Company and all stakeholders. In managing and nurturing our relations with them, we strive to establish purposeful, relevant, inclusive and customised communication channels to remain responsive, engaged and interested. We proactively seek their input and address their needs and concerns in a timely manner. Our stakeholder engagement process is incorporated into the value creation process – allowing the process to become a core source of information in driving our strategy. While we categorise our stakeholder groups into six broad categories, for clarity's sake we have also categorised each group further into internal and external stakeholders. The below table provides a broader perspective of our stakeholder management process including separate modes of engagement:

Internal

	News letters	AGM	Extra Ordinary meeting	E-mails	Meetings	Social media	Events	Reports	Phone calls	Web sites	Formal letters	Annual Reports	One to one	Site visits
Shareholders		An	Wn						Wn			An		
Board of Directors		An	Wn		Mo		Wn	Mo	Wn			An		
Management		An	Wn	Wn	Wn		Ah	Wn	Wn	Rb	Wn		Wn	
Employees				Wn	Wn		Ah	Wn	Wn	Wn	Wn		Wn	Wn
External														
Customers	Qu			Wn	Wn	Rb	Ah		Wn	Wn		An	Wn	Wn
Business partners	Qu			Wn	Wn				Rb	Wn	Wn	An	Wn	Wn
Communities	Qu			Wn			Ah			Wn				
Regulators	Qu			Wn				Mo	Wn	Wn		An		

An - Annual Rb - Regular Basis Mo - Monthly Qu - Quarterly Wn - When Necessary

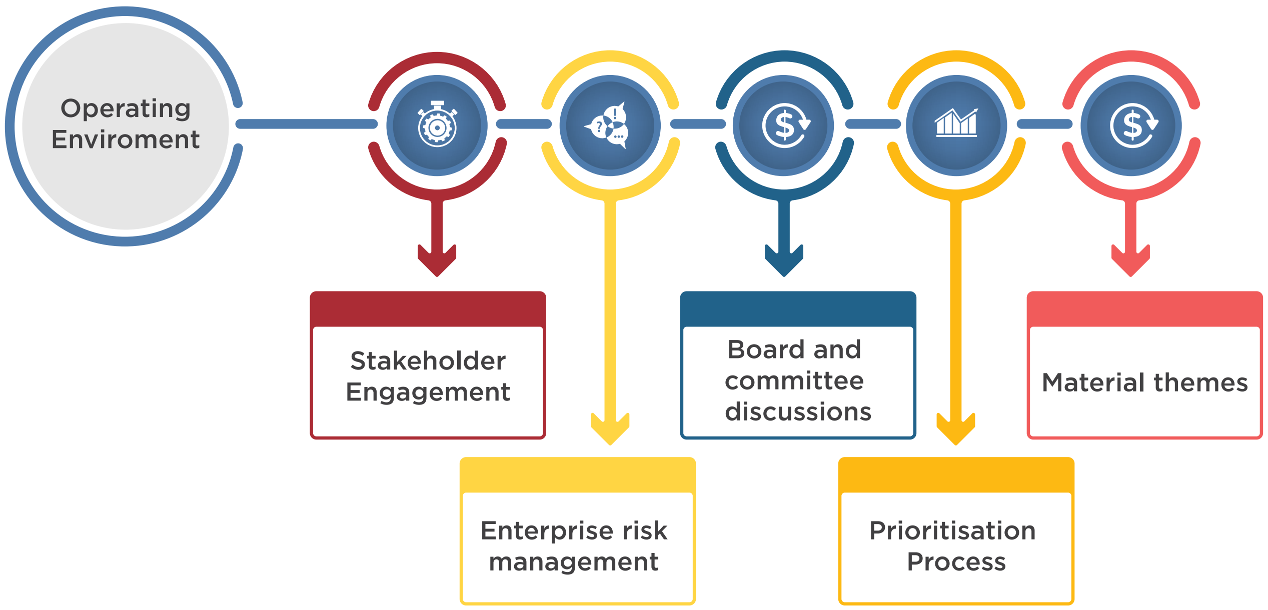
Ah - Ad-hoc Pe - Periodic

MATERIALITY

Orient Finance's material issues relate to how we create long-lasting value for all our stakeholders, and our economic, social and environmental impact. The material importance of each aspect is directly related to its impact on the Company's ability to create value. The Company's leadership teams identify material topics and their importance to the Company's ability to create value by engaging stakeholders via robust communication channels. We conduct an annual analysis of material topics to determine stakeholder concerns, and align our solutions with strategic objectives. Meanwhile, the Company's risk management and governance processes consistently monitor materiality to ensure robust performance and sustainability.

MATERIAL DETERMINATION PROCESS

In determining our material aspects, we identify and integrate material risks and opportunities by reviewing our business environment, enterprise risk management, stakeholder engagement as well as Board committee discussions. Orient Finance PLC uses a set of tools including market surveys, stakeholder input as well as risk analysis conducted on a periodical basis. In FY 2021/22, our materiality determination process sought to establish a stricter governance process as well as better regulatory control and risk management. The below table illustrates our materiality determination process:



We comply with legal and regulatory requirements to reinforce our legitimacy and enhance our brand reputation in the financial market.

MATERIALITY

MATERIAL IMPACT

Addressing each material issue is a key priority for Orient Finance PLC. As such, we have linked each material issue to our capital growth process and defined the importance of each concern into categories – high, medium and low impact. Our material themes define our growth trajectory, mapping the process of operational, financial and business growth and the way in which this impacts our ability to create social, economic and environmental value. Hence, the impact of our identified material matters plays a vital role in sustaining and developing our business. The below table illustrates the identified material issues that impact our business and the priority levels:

Material themes	Impact to the capital					
	Financial Capital	Manufactured Capital	Intellectual Capital	Human Capital	Social and Relationship Capital	Natural Capital
Sustainable revenue growth	High	Medium	Medium	Medium	Medium	Low
Retention and training development	Low	Medium	High	High	Low	Low
Process Excellence	Medium	Medium	Medium	Medium	Low	Low
Rewards and recognition	Medium	Medium	High	High	High	Low
Risk and Capital Management	High	Medium	Medium	Medium	Low	Low
Speed of service and improved efficiency	Low	High	Low	Low	Low	Low
Diversified portfolio and affordable solutions	Low	Medium	Medium	Medium	Medium	Low
Improved relations with business partners	Low	Medium	Medium	Medium	Medium	Low
Corporate Governance, Compliance and Internal Controls	High	High	Medium	Medium	Medium	Medium
Increased contributions to society	Low	Low	Low	Low	Low	High
Ethics and transparency	High	Medium	Medium	Medium	Medium	Low
Occupational health, safety and well-being	Low	Medium	Medium	Medium	Medium	Low
Information security	High	High	Low	Low	Low	Low
Optimum use of property, plant and equipment for services	Medium	High	High	Low	Low	Low
Innovation	Low	High	High	Low	Low	Low
Occupational health, safety and well-being	Low	High	High	Low	Low	Low
Becoming more customer centric	Low	High	High	Low	Low	Low
Technological advancements	Low	High	High	Low	Low	Low

High Impact ●

Medium Impact ●

Low Impact ●

MANAGING INTERLINKS BETWEEN MATERIAL ISSUES

As we explored material issues, we recognised the interrelationships between each aspect, and how focusing on these relations could enrich our value creation and preservation process. In the process of defining the relations between material themes, we sought to leverage on this crucial aspect to create and preserve value. The below depiction illustrates the inter-relationships between key material themes:

THE WAY FORWARD

We continue to review our material issues in terms of the evolving business and socioeconomic context, trends and stakeholder input. We base our future strategies concerning material matters on these input and insights. Based on our findings during the year, we determined that matters concerning customers as well as external stakeholders (relevant to the business) require more focus. As we move forward, we will encompass a wider expanse of stakeholder concerns and respond in kind within our capacity. We will continue to conduct thorough analysis and gain data-driven insights into material themes that impact our business and the ability to create value. Moreover, our future stakeholder surveys will involve a wider scope of stakeholder groups to determine the impact of each material theme clearly.

Unlocking

OUR TRUE SELF

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

GLOBAL ECONOMIC OUTLOOK

In the aftermath of the initial stages of the COVID-19 pandemic, global economy rebounded, yet global growth is expected to decelerate considerably to 4.1 during the year 2022. The increase in COVID-19 infections related to the Delta variant triggered a decrease in consumer demand. While the decline in demand was more limited when compared to previous pandemic waves, supply chain interruptions continued to disrupt world trade and global production. While advanced economies illustrated a stabilising trend with widely spread vaccination rates and considerable fiscal support, Emerging Market and Developing Economies suffered due to lack of political support as well as tightening of financial conditions.

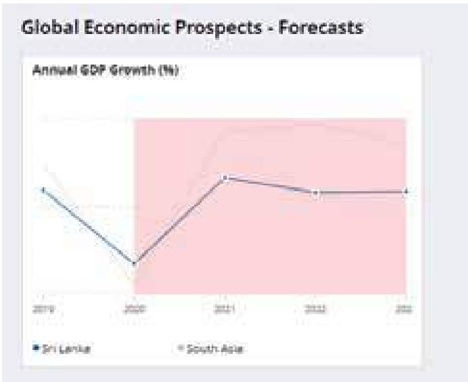
Global financial conditions remained supportive during 2021 driven by accommodative policies in advanced economies and equity price surge driven by strong corporate earnings. Nevertheless, portfolio flows to Emerging Economies decreased, while financing conditions tightened in many emerging economies as a result of policy rate hikes.

(Source: Global Economic Prospects January 2022)

THE ECONOMIC BACKDROP OF SRI LANKA

The uncertain economic conditions, unsustainable debt and significant balance of payment challenges put pressure on the Sri Lankan economy in 2021.

In the year 2021, the Real GDP of the country is estimated to have grown by 3.5 percent driven by a strong 12.3 percent, year-on-year, indicating a rebound from a low base in the second quarter of 2021. While earnings from tourism remained low, export earnings, especially in the textile industry expanded.



(WORLD BANK GDP GROWTH FORECAST GRAPH)

Meanwhile, increased imports of intermediate and capital goods expanded imports. Driven by high food inflation at 24.7 per cent, amidst fuel price adjustments and high global commodity prices, year-on-year inflation increased up to 17.5 per cent by February 2022.

The country's trade deficit increased to USD 8.1 billion in 2021 from USD 6 billion in 2020 in spite of restrictions imposed on non-essential goods, with the accelerating imports bill off-setting the favorable export earnings. The decline in remittances (22.7 percent) and tourism receipts (61.7 percent) intensified economic woes. Sri Lanka's current account deficit widened to USD 3.2 billion during the year under review.

The fiscal deficit is predicted to have remained at 11.1 percent of GDP in 2021 while public and publicly guaranteed debt increased to 117 percent of GDP.

Net foreign assets of the banking system dropped to USD 4.9 billion by December 2021, depicting the growing foreign exchange liquidity shortages.

(Source: The World Bank)

THE FINANCIAL INDUSTRY OUTLOOK

The turbulent macro-economic conditions affected the financial industry, with periodic lockdowns negatively impacting collection and business generation. Moreover, the extension of the debt moratorium by a further 9 months affected the industry, triggering the local assets to be revalued at a premium.

The high inflation rate resulted in a depletion of disposable income in the market. Nevertheless, the devaluation of the currency caused increased investments in assets. Meanwhile, accelerating market interest rates created volatility in the financial markets, amidst inflation control mechanisms, increased domestic borrowings initiated by the government, and rate hypes in the federal reserves during the period.

The industry assets grew approximately by 16 per cent, while the deposit bases grew by around 7 percent.

AWARDS AND ACCOLADES

Industry awards and recognitions testify to our social impact and enhance brand reputation, thus impacting our value creation process. During the financial year 2021/22, Orient Finance PLC won the below industry awards:

GREAT PLACE TO WORK CERTIFICATION

Orient Finance PLC won a Great Place to Work award in 2021, following a rigorous, independent survey conducted by the Great Place Research & Consultancy (Pvt) Ltd by obtaining confidential feedback from our employees. The Great Place to Work Certification honours employers who create a safe, conducive work space for employees to thrive. Obtaining the Great Place to Work Certificate involves a two-step process – employee survey followed by a short questionnaire about the workforce. The Great Place to Work Certification is a research-backed, globally accepted verification of a great company culture. As such, the certification is a testament to the effectiveness of our human capital growth strategies and great company culture.

CERTIFICATE OF COMPLIANCE AT THE CA SRI LANKA ANNUAL REPORT AWARDS 2021/22

CA Sri Lanka Annual Report Awards presented by the Chartered Accountants of Sri Lanka (CA Sri Lanka) is one of the most prestigious and oldest corporate events in Sri Lanka. Winning a CA Sri Lanka award illustrates a Company's effectiveness in managing transparency, sustainability, accountability, social responsibility and corporate governance. Orient Finance PLC won a compliance award for financial reporting for the year 2020/21 at the CA Sri Lanka Annual Report Awards – highlighting the Company's regulatory compliance, excellence in and adherence to reporting standards, transparency and commitment to sustainability.

unlocking

OUR TRUE SELF

DELIVERING VALUE THROUGH CAPITALS

THE CAPITAL APPROACH

Our pursuit of profitability, sustainability of operations as well as our economic, social and environmental impact pivots on our financial, manufactured, human, social and relationship, natural and intellectual capitals. These capitals are stocks of value that transform the organisation and impact our4 valuable output. As such, our capital input and strategic drivers determine the output as well as our overall impact.

Capitals	Definitions	Inputs	Output	Value created
Managing funds – Financial capital	Economic resources that fund business operations and enable expansion, property acquisition and ultimately value creation.	⦿ Equity ⦿ Working capital ⦿ Non-current assets	⦿ Cost of capital ⦿ Liquidity ⦿ Profitability	⦿ Economic value ⦿ Brand value ⦿ Shareholder value
Utilising infrastructure – Manufactured capital	Income generating infrastructure.	⦿ Investing in property acquisition ⦿ Refurbishing and upgrading existing facilities	⦿ Efficient and faster services	⦿ Increased profitability ⦿ Improvement of efficiency and productivity ⦿ Brand image building
Enriching skills – Human capital	Knowledge, expertise, skills and wisdom of the people of the organisation.	⦿ Skills and Knowledge Development ⦿ Health and safety protocol ⦿ Workforce compensation and incentive plans ⦿ Workforce demographics and diversity	⦿ Remuneration and recognition ⦿ Skilled workforce ⦿ Safe and conducive work environment	⦿ Enhanced intellectual capital ⦿ Satisfied workforce ⦿ Committed employees that create value for customer
Nurturing relationships – Social and relationship capital	Stakeholder engagement, information sharing and strengthening relations with both customers and business partners.	⦿ Dialogue with customers ⦿ Dialogue with business partners ⦿ Engaging the community	⦿ Positive customer and business partner experiences ⦿ Meeting stakeholder expectations ⦿ Building a positive relationship with the community	⦿ Enhanced brand reputation ⦿ Enhanced business partner and customer confidence ⦿ Long-term profitability
Intangible assets – Intellectual capital	Knowledge, industry expertise and intellectual properties that allow the organisation to gain a competitive edge.	⦿ Knowledge ⦿ Processes	⦿ Innovation ⦿ Efficiency	⦿ Improved customer confidence ⦿ Enhanced brand reputation
Preserving nature – Natural Capital	The world's ecological assets.	⦿ Adopting energy efficient measures ⦿ Water purification system	⦿ Contribution to environmental sustainability ⦿ Internalised sustainability approach	⦿ Enhanced brand reputation ⦿ Long-term profitability

FINANCIAL CAPITAL

The key inputs of our financial capital are equity, debt, customer deposits and other fund sources. We use the financial capital input to generate returns and create monetary value for all stakeholders, and enhance growth through investments in other capitals. In developing our financial capital we looks to explore sustainable revenue growth opportunities, regional expansion with core focus on improving sustainable business performance, ensuring financial stability and strengthening stakeholder engagement.

Financial Capital Input

- Deposits base
- Shareholder funds
- Borrowings
- Retained earnings

Strategic Drivers

- Shift in core business focus to include a diverse portfolio including high net-worth customers
- Maintaining a low non-performing ratio
- Cost optimisation
- Consistent return on equity

Value Created

- Profit after tax Rs. 453 Mn.
- Economic value

Opportunities for Growth

- Portfolio Growth opprtunities
- Opprtunities to explore new markets
- Developing the Islamic Financing service offering

PERFORMANCE AT A GLANCE

NPL
5.89

PAT
Rs.453 Mn.

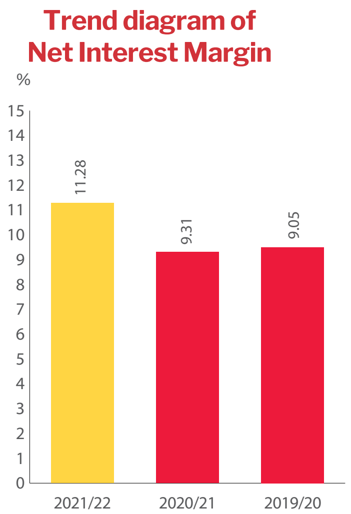
ROE
14.57%

TAX Payments to the Government
Rs.159.9 Mn.

FINANCIAL PERFORMANCE

In spite of the challenging macroeconomic environment, the Company's profitability, portfolio and the asset base grew during the year under review. The Company recorded a Profit After Tax of Rs. 453 Mn. recording a 134 percent growth year on year. This commendable performance can be attributed to the prudent strategic decisions that we took to better manage our loan portfolios and offer tailor-made repayment solutions to customers. As a result of increased profitability, the Company's earnings per share increased to Rs 2.15 from Rs 0.92 from the previous year. The Company's total operating income increased to Rs. 1.8 Bn. from Rs. 1.3 Bn. recorded during the previous financial year. During the year under review, Orient Finance PLC lowered the gross non-performing loans ratio at 5.89 per cent and net non-performing loan at 1.98 per cent.

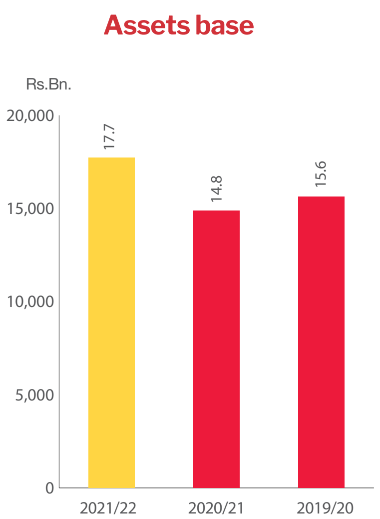
FINANCIAL CAPITAL

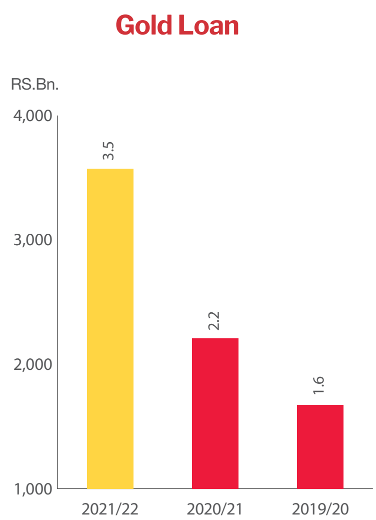


During the year under review, we lowered non-performing loans. Impairment charges and other losses were Rs. 125 Mn. for the year 2021/22 and it slightly increased, in comparison to the previous financial year, which stood at Rs. 110 Mn.

					Rs. Mn.	
		Stage 01	Stage 02	Stage 03	Total	Year
ANALYSIS OF IMPAIRMENT CHARGES AND OTHER LOSSES	Lease Rentals Receivable and Hire Purchase	(157.17)	(21.46)	236.84	58.21	2021/22
		(30.81)	(179.97)	219.80	9.02	2020/21
	Loans and Receivables	(7.71)	(0.66)	74.71	66.33	2021/22
		(8.61)	(22.54)	132.60	101.44	2020/21
	Total	**(164.88)**	**(22.13)**	**311.54**	**124.54**	**2021/22**
		(39.43)	(202.51)	352.40	110.46	2020/21

The Total Assets of the Company for the financial year 2021/22 grew to Rs. 17.8 Bn. from Rs. 14.8 Bn. during the previous financial year fuelled by portfolio growth and effective management of loans and Rs. 17.8 Bn. from Rs. 14.8 Bn. able to increase the Gold loan portfolio by 60 per cent compared with the previous financial year. Meanwhile, interest expenses declined to Rs. 1.1 Bn. from Rs. 1.3 Bn. in the previous financial year due to lower deposit rates of the fixed deposits.





Meanwhile, during the year under review, the Company paid VAT & NBT on financial services amounting to Rs. 149 Mn.

As underutilisation of excess funds continued, Cash & Cash Equivalents and Investments with banks grew to Rs. 538.8 Mn. from Rs. 256.6 Mn.

As the pandemic related loss of confidence eased and the Company succeeded in gaining customer trust, the customer deposits increased to Rs. 9 Bn. during the year under review from Rs. 8 Bn. recorded during the previous financial year. The Company's stated capital was maintained at Rs. 2.4 Bn.

The market price of our shares (Highest Price) increased by 25 per cent at the end of March 2022 from Rs. 18 per share at the end of March 2021 and the following table discloses the behavior of share prices of OFP.

Share Price	2021/22	2020/21	2019/20
Highest (Rs.)	**22.5**	18	15.8
Lowest (Rs.)	**12**	11	6
Closing (Rs.)	**13**	13.9	13.6
Trade Vol	**14,612,843**	10,324,336	9,226,585
Turnover (Rs.	**246,908,472.8**	127,806,704	42,676,347

KPI	Company Performance	Definition	Output
CAPITAL ADEQUACY	Tier 1 and Tier 2 Capital requirements are part of the regulatory framework to ensure banks and non-banking financial institutions are supervised. Capital ratios express the capital as a percentage of its Risk Weighted Assets (RWA) as defined by the Central Bank of Sri Lanka (CBSL). Capital requirements are measured at two tiers, namely Tier I and Tier II	Orient Finance PLC Tier I and Tier II capital adequacy ratios as at the end of the financial year stood at 14.38% and 15.38%, respectively, compared to the minimum regulatory requirement of 7% (Tier I) and 11% (Tier II). Company achieved well-capitalised financial services as per CBSL guidelines. (above 14 %)	Tier 1 2021/22 - 14.38% 2020/21 – 9.31% Tier 2 2021/22 – 15.38% Achieved as a well-capitalised company 2020/21 – 11.13%
ASSETS QUALITY	Non-Performing Advances (NPA) Gross NPA indicates the amount of defaulted loans granted by an institution beyond a defined period. This ratio aims to identify NPA as a percentage of its total advances.	Company gross NPL ration was reduced to 5.89% in 2021/22 from 9.54% in 2020/21 by making remarkable recovery effort and reduced NPL loans, converted to performing loans in the financial year 2021/22. Further net NPL was reduced to 2.45% in 2021/22 from 3.35% in 2020/21	Gross NPL Ratio 2021/22 - 5.89% 2020/21 -9.54% Net NPL 2021/22 – 2.45% 2020/21 -3.35%
MANAGEMENT'S EFFICIENCY	Cost to Income Ratio Cost to income ratio is a financial measure derived through operating expenses divided by total operating income.	Company cost to income ratio improved to 59.88 in year 2021/22 compared to 72.4% in year 2020/21 which demonstrates improved management efficiency by way of rationalisation of overhead cost and increase in net interest income.	Cost to Income Ratio 2021/22 – 59.88% 2020/21 -72.40%
EARNINGS	Return on Equity (ROE) ROE is calculated by dividing the profit after tax from the average total equity. Return on Equity (ROE) is the most common internal performance measure of a Company's profitability from the shareholder's point of view	Orient Finance PLC achieved ROE of 14.57% in the year 2021/22 compared to 6.92% in the previous year which demonstrates Company Financing ability to execute its strategies to maximise the shareholder wealth	Return on Equity 2021/22 – 14.57% 2020/21 -6.92%

FINANCIAL CAPITAL

KPI	Company Performance	Definition	Output
LIQUIDITY	Liquid Assets Ratio Liquid assets ratio is calculated by dividing the liquid assets from total deposit liabilities and relevant borrowings	The Company has maintained its liquidity levels well above the required liquid assets as per CBSL Requirement (10% of time deposits, 15% of savings deposits and 10% of outstanding borrowings excluding secured borrowings.	Liquidity Ratio 2021/22 – 11.99% 2020/21 -12.56%

CAPITAL MANAGEMENT

We manage our capital base to comply with regulatory capital requirements and to maintain a solid fund base.

During the year under review, our Capital Adequacy levels further strengthened owing to early action taken by the Company to comply with the capital adequacy directive for NBFI's issued by the CBSL in June 2018. As per the directive, NBFI's with an asset base less than Rs. 100 billion were required to ensure Tier I capital and Total Capital Adequacy Ratios are as follows.

Ratio (%)	01/07/2018	01/07/2019	01/07/2021	01/07/2022
Tier I	6%	6.50%	7.00%	8.50%
Total Capital	10%	10.50%	11.00%	12.50%

Reported Capital	As at 31.03.2022	As at 31.03.2021
Tier I Capital (Rs. Mn.)	**1,971.2**	1,399.5
Total Capital (Rs. Mn.)	**2,107.1**	1,603.9
Total Risk Weighted Assets (Rs. Mn.)	**13,704.6**	14,410.1
Core Capital Ratio As at 31.03.2022 (Minimum 7.00 %) As at 31.03.2021 (Minimum 6.50 %)	**14.38%**	9.71%
Total Capital Adequacy Ratio As at 31.03.2022 (Minimum 11.00 %) As at 31.03.2021 (Minimum 10.50 %)	**15.38%**	11.13%

The Company's Capital Adequacy Ratios as at 31st March 2022 was 14.38% (2021 - 9.71%) and 15.38% (2021 - 11.13%) for Tier I Capital Ratio and Total Capital Ratio, respectively.

CBSL has set minimum capital requirements for finance companies as discussed below:

Tier I Capital Ratio, which includes stated capital, perpetual bonds (which are classified as innovative tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Total Capital Ratio, which includes qualifying subordinated liabilities, collective impairment allowances (limited to those credit portfolios where the standardised approach is used under Basel II) and the element of the fair value reserve relating to unrealised gains/losses on equity instruments measured at fair value through other comprehensive income.

MANUFACTURED CAPITAL

Our manufactured capital comprises physical assets including properties, branch network as well as our IT infrastructure and network architecture. Our manufactured capital steers day to day operations to assist the value creation process for customers, and by extension to all stakeholders.

Manufactured Capital Input

- Branch network
- Core systems and processes

Strategic Drivers

- Customer centric distribution channels
- Reinforcing the physical footprint
- Strengthening the digital approach

Value Created

- Increased digital engagement
- Improved customer satisfaction

Opportunities for Growth

- Enhancing branch accessibility and facilities
- Provide more training opportunities

Fully-pledge branches (31)

Investment in IT Infrastructure (Rs. 58 Mn)

Branches relocated (03)

New Gold Loan Business Launch (02)

MANUFACTURED CAPITAL

Property, Plant and Equipment

	2022	2021	2020
Office Equipment	24.4	24.9	14.1
Computer Equipment	11.2	9.1	5.4
Furniture and Fittings	22.6	19.8	11.2
Software	0	51	0

NEW GOLD LOAN BUSINESS STARTED EXPANDING OUR PHYSICAL PRESENCE

Our branch network plays an integral role in reaching out to and facilitating customers in our pursuit of viable growth. The Company currently has 31 branches expanding across the island, which function as key physical touch points for our customers. Our islandwide branch network serves (Page 186 and 187) customers in Sri Lanka. Over the past few years, we have expanded our nationwide footprint to offer our products and services to a larger market segment. Moreover,

Furthermore, we consistently engage with our customers to obtain their input in order to refine and develop our physical touch points. We base our responses in terms of improving facilities at our branches on such feedback.

Meanwhile, we maintain our customer centric service standards by effectively utilising the resources available at our physical touch points. During the year under review, we refocused our efforts on improving communication skills and competencies of our frontline staff that facilitate the value creation channels via our physical touch points. Such endeavours boosted our Return on Equity (RoE).

STRENGTHENING DIGITAL CHANNELS

We are well aware of the fact that digital platforms and engagement will increasingly play a key role in our Manufactured Capital. As such, we have already laid the foundation to strengthen our digital presence and engagement in line with evolving customer requirements.

Meanwhile, we will continue to strengthen our efforts to extend our products and services to a wider customer base by expanding our presence not only physically but also digitally. We will also align our efforts on process innovations and knowledge sharing by developing digital platforms.

IMPACT OF SOCIAL MEDIA

Social media is increasingly be the preferred channel for communicating with customers. This will bring increasing challenges such as customers' feedback being instantaneously communicated to a huge group of peers. Intelligent systems will need to be developed to analyses the resulting massive inflow of information.

HUMAN CAPITAL

The Company's Human Capital forms the basis for developing our intellectual as well as social and relationship capitals, which in turn impacts our ability to create economic, social and environmental value. Moreover, our employees are one of our key stakeholders, and their wellbeing, growth and satisfaction is integral to the overall pursuit of growth. As such, our ultimate goal is in developing human capital and in becoming an employer of choice, and create a work environment that truly promotes employee satisfaction and opportunities for growth.

Human Capital input

- Human Capital input
- Training and Development
- Nurturing employee talent and satisfaction

Strategic Drivers

- Building a healthy and fulfilling working environment
- Developing the right skills and culture

Value Created

- Improved employee satisfaction and productivity
- Improved customer service and satisfaction
- Improved profitability and operational integrity

Opportunities for Growth

- Focused training opprtunities
- Accelerating diversity to enrich the employee force

In our efforts to develop Human Capital we have intensified focus on the following outcomes during the year under review.

1. Planning and Expectation Setting
2. Monitoring
3. Development and Improvement
4. Periodic Rating
5. Rewards and Compensation

COMPOSITION OF THE HUMAN CAPITAL

As an equal opportunity employer, we remain steadfastly committed to anti-discrimination standards, while striving consistently to enrich our workforce by attracting talent from diverse backgrounds.

No. of employees	493
Promotions during the year	64
Staff attrition rate	24.79%
Gender balance	Male - 72.9% Female - 27.1%

HUMAN CAPITAL

EMPLOYEE ENGAGEMENT

As the pandemic–triggered remote working culture contributed to a reduction of day to day employee engagement, Orient Finance PLC shifted gears to adopt alternative employee engagement methods to maintain robust communication channels. As such, we conducted transparent and frequent communication with our employees to gain insights into their requirements, grievances and aspirations. The Company's HR department actively solicited employee feedback and conducted regular performance reviews.

TRAINING AND DEVELOPMENT

During the year under review, we conducted virtual training and development to enhance our employees' knowledge and capacities through providing training on industry best practices, technology and current trends. Our E-learning platform (iLearn – Learning Management System) facilitates knowledge acquisition, and this platform has enabled us to promote self-directed learning to bridge the gap between knowledge and the ever evolving market, technological tools and trends. The E-learning model eliminated geographical and regional disparities. Moreover, in line with our strategic focus for the year to gain insights into customer needs and aspirations we conducted communication skills training programmes targeting our frontline staff.

EMPLOYEE BENEFITS AND WELFARE INITIATIVES

Our remuneration process involves performance driven increments, bonuses and promotions. Employees are fairly compensated for the valuable services they provide and the Company shares benefits of increased profitability with employees by providing timely bonuses. Mindful of the fact that employee health and wellbeing play a key role in their performance, we have introduced comprehensive health and safety benefits to our employees. During the year under review we provided medical reimbursement to employees and families who contracted the COVID-19 virus.

REWARDS AND RECOGNITION

We encourage a highly performance-driven work ethos backed by a unique rewards and recognition framework that mainly consists of performance-based incentives, performance-based bonuses, annual increments, and promotion scheme. This framework is designed with a clear intention of boosting employee morale, attracting, and a retaining key talent whilst maintaining healthy attrition levels, to enhance productivity.

INTELLECTUAL CAPITAL

Our Intellectual Capital plays an integral role in our value proposition and growth aspirations. Apart from the valuable contribution of our human capital, the components of our intellectual capital are our intrinsic knowledge and market insights as well as processes and protocols. This intellectual capital steers our ability to gain a competitive advantage and pursue viable growth.

Intellectual Capital Input

Knowledge

Training and Development of employees

Information driven insights into customer requirements

Tailor-made solution offering

Strategic Drivers

Consistent R & D

Establishing internal efficiency through automation and digital drives

Consistent brand approach and improvement

Value Created

Decreasing the NPL ratio

Increased profitability

Market expansion

Portfolio diversification

Opportunities for Growth

Reviewing and updating control systems and frameworks

Improving technological infrastructure

Credit Rating	Brand Value	Customer Base
BB + (Stable) LRA	Rs. 800. Mn	50,000+

Intellectual Capital

Human

Work force	495
Promotions during the year	64
Gender balance	Male 72.9% and Female 27.1%
Training Hourse	1618

Structural

Document Management system
HRIS system
Great place to work certification
Orient Lease and Gold loan
40 Years Journey

Reletional

Brand Value	Rs.800 Million
Customer Base	50000+
Credit Rating	BB (Positive Stable)
Registered under Central Bank of Sri Lanka.	Finance Leasing Act No. 56 of 2000 Finance Business Act No. 42 of 2011
Branches	31

KNOWLEDGE DEVELOPMENT

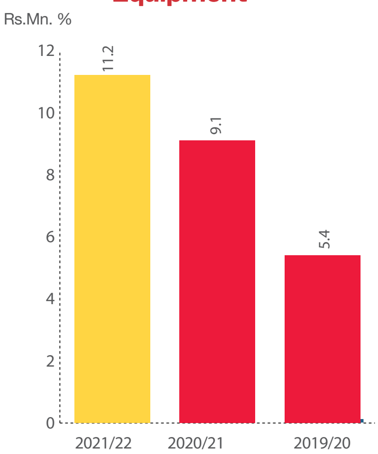
We have embedded the “Learning Organisation Culture” to the culture of the organisation and thus values continuous improvements and skill advancement of our internal customers. This has enabled and enhanced our ability to provide novel products and a delightful service to our customers and thus create a value enhancement for all our stakeholders.. As such, we consistently value knowledge acquisition. During the year under review, we conducted customised training and development programs covering all levels of employees in the forms of knowledge acquisition workshops, knowledge sharing sessions, experience sharing sessions which has developed the competency levels of the Orient Team. This has paved the way for the Orient Team to deliver extraordinary results during the year under review. The wealth of knowledge and experience that the Company’s Board of Directors possess enabled the Company to shift gear in tandem with the changing market and pursue growth and profitability in spite of the volatile macro-economic challenges.

INTELLECTUAL CAPITAL

IT SYSTEMS AND PROCESS ENHANCEMENT

Mindful of the fact that IT infrastructure is becoming a crucial aspect of a Company's intellectual capital value proposition, we intensified our focus on developing our IT systems and processes during the year under review. We executed a number of projects to re-provision the IT resources more efficiently, and improve our internal processes. The processes implemented during the past two years enabled us to maintain operational integrity during the first half of the year when lockdowns were in place, and our employees adjusted to a new 'work from home model.' During the year under review, we implemented a Core IT system geared to allow customers to interact virtually with the Company using devices such as Smartphones and tablets. The new system enhanced our customer value proposition by overcoming mobility challenges that ensued with the COVID-19 pandemic. The newly implemented system incorporated a re-engineered business process, which cut down overall turnaround time and improved operational efficiency.

Investment in Computer Equipment



OUR BRAND

Over the past 30 years, we have carved a name for ourself as a trusted and eclectic facilitator of financial solutions to a client base comprising Small and Medium Enterprises as well as leasing customers. The Company's products and services encompass a range of financial solutions including mobilisation of Deposits, Savings Accounts, Leasing, Hire Purchase, Pledge Loans, Factoring, Gold Loan, Working Capital, and Corporate Financing. During the year under review, we refocused our business approach to attract a more diverse base of customers including high-net-worth clients. Moreover, we extended our services to offer guidance to our customers in overcoming the challenging economic environment and pursuing profitability.

SOCIAL AND RELATIONSHIP CAPITAL

Our social and relationship capital hinges on the stakeholder ecosystems that we continue to nurture with our customers, business partners, and the community at large as well as the inter-relationships between them that contribute to the value creation process. We maintain robust communication channels with each stakeholder group and gain insights into their requirements on a regular basis. Our core aim in nurturing stakeholder relations is to create lasting value in terms of social and relationship capital in a mutually beneficial manner.

Social and Relationship Capital Input	Strategic Drivers	Value Created	Opportunities for Growth
Social and Relationship Capital Input Proactive relations with communities Customer Service excellence Business partner engagement	Enhanced partnerships with Business partners Expanding social media outreach Automation and employee training	Increased customers base Improved customer relations and decline in NPL ratio	Organising events to bring stakeholders together Investments in CSR programmes

Our social and relationship capital comprises three main categories, namely; customer capital, community capital, and business partner capital. We employ a set of key strategic drivers to develop our social and relationship capital.

CUSTOMER CAPITAL

Customers are our raison d'etre, and they expect the assurance of responsible financial products and services from us, which means compliance with legal and regulatory requirements as well as organisational stability. During the year under review, we not only complied with the relevant regulatory requirements but also sought to assist customers to navigate the challenging economic background in a stable and prudent manner which in turn enabled the Company to maintain long-term profitability and stability. We employ a customer-centric approach to business using transparent communication channels to understand their evolving needs in a time-sensitive manner. In line with our commitment to continuous improvement of our service offering to manage customer loyalty, we conducted targeted training with our frontline employees to help them communicate effectively with customers.

BUSINESS PARTNER CAPITAL

Our business partners are critical to our organisational value proposition as they enable us to obtain the necessary goods and services to carry out our operational activities. Our business partner capital development agenda includes, quick settlement of dues, nurturing long-term partnerships, finding more cost-effective and mutually beneficial services, and strengthening the quality and reliability of the supply chain activities. To this end, we consistently strive for diversification, and digital engagement and encourage suppliers to adhere to environmental and social best-in-class practices.

COMMUNITY CAPITAL

Our contributions toward social and economic development enable us to strengthen our community capital. In our efforts to step up to assist with community issues, we frequently revisit our sustainability agenda. As such, we conduct community wellbeing programs as well as business-linked CSR activities. To this end, we strive to determine pressing issues in the community and provide the assistance required within our capacity.

SOCIAL AND RELATIONSHIP CAPITAL

ORIENT FINANCE DONATES VITAL EQUIPMENT TO COLOMBO NORTH TEACHING HOSPITAL – RAGAMA TO HELP FIGHT COVID-19

COLOMBO, 6TH OCTOBER, 2021

We donated essential respiratory support equipment to the COVID-19 support unit of the Colombo North Teaching Hospital – Ragama.

This initiative was carried out in line with the relief efforts of the Group's philanthropic arm - the Janashakthi Foundation in response to the nation's ongoing battle against the pandemic. Standing strong with the nation during these challenging times, the Group has pledged Rs. 50 million for COVID-19 related support initiatives for its ongoing efforts through the Janashakthi Foundation.

Over the course of 40 years, we have positioned ourself as an innovative, customer-centric and futuristic financial service provider offering unique product offerings coupled with unparalleled customer service. Despite the outbreak of the COVID-19 pandemic in Sri Lanka, we sustained its momentum and performed strongly compared to industry peers sustaining this strategic efforts to provide the best returns for our customers, employees and shareholders.

Furthermore, the Company together with its Group companies – First Capital Holdings PLC, Janashakthi Insurance PLC and Kelsey Developments PLC have been playing an active role in combating the COVID-19 pandemic from the beginning of the lockdown in Sri Lanka in 2020. These relief initiatives include strengthening the safety of the frontline services, provision of immediate dry rations to affected communities and providing needed medical equipment to medical facilities and hospital and critical infrastructure development. Through the Janashakthi Foundation, the Group pledges to support local communities and the nation in times of adversity to strengthen and support them in rebuilding their lives.

NATURAL CAPITAL

Orient Finance PLC's Natural Capital includes renewable and non-renewable resources that we utilise for our operations on a day-to-day basis. We strive for efficient use of natural resources to mitigate any negative impact on environmental sustainability. As such, we remain committed to conforming steadfastly to all environmental guidelines as well as best practices to meet our corporate sustainability goals.

Natural Capital Input

- Energy management
- Waste management
- Water usage management

Strategic Drivers

- Environmental Strategy
- Awareness Building
- Following recommended environmental guidelines

Value Created

- Reduced energy consumption
- Corporate environmental sustainability
- E-learning platform established to reduce paper usage

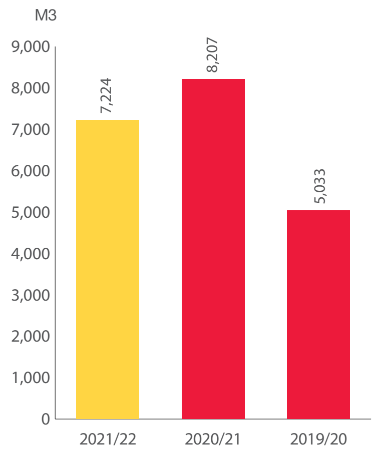
Opportunities for Growth

- Shifting to a digitally driven internal and external operational processes
- Green financing
- System automation to reduce paper usage

WATER FOOTPRINT

During the year under review, water usage increased as a result of frequent hand washing required as a COVID-19 preventive measure. However, we continued with our contingency plan to mitigate and improve the efficiency of our water consumption throughout the year. We have introduced a companywide water management plan which clearly sets down guidelines. Meanwhile, we continued to raise awareness amongst our employees about minimising water wastage.

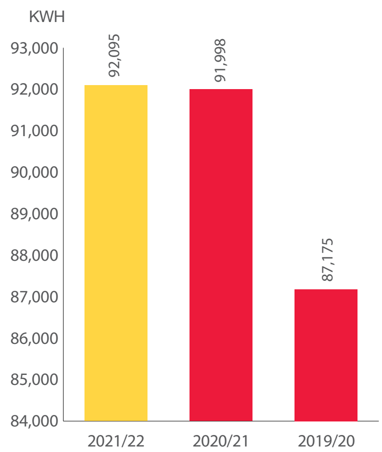
WATER CONSUMPTION COMPARISON



ENERGY FOOTPRINT

We employ a clear set of energy consumption guidelines to minimise our energy usage. We rely relies on grid electricity as our primary source of energy. During the year under review, we continued to reinforce our energy management framework. In line with this, we encourage employees to switch off electrical appliances when not in use, and we have installed energy-efficient LED bulbs across our branch network. We use inverter air conditioners under, 22, 000 and 36,000 BTU capacities in place of conventional air conditioners.

ENERGY CONSUMPTION COMPARISON



WASTE FOOTPRINT

We base our waste management framework on the 3R (Reduce, Reuse and Recycle). Given the nature of our business as a financial institution, paper usage is the largest waste component generated daily. Nevertheless, we continue to seek viable options to reduce paper usage. Implementing the E-learning platform has enabled us to decrease our paper usage, while our newly implemented IT system allowed us to engage customers digitally to reduce paper usage.

KEY ORGANISATIONAL OUTCOMES MAP

Financial	Revenue (Rs. 2,972,209)	Profit after tax (Rs. 453 Mn.)	Total Capital Adequacy Ratio (15.38%)
Customer	NPL Ratio (5.89%)	Customised loan repayment solutions	Assistance and guidance for customer business growth
Internal operations	Bonuses and increments for FY 2021/22 (Rs. 84 Mn)	Training hours (1618 hrs)	Digitalisation drive and IT infrastructure investment
Learning and growth	Increase customer advocacy	Compliance and best practice adherence	Digitalisation and developing scalable processes

unlocking OUR TRUE SELF

RESPONSIBILITY

BOARD OF DIRECTORS

Standing Left to Right

Mr. Rajendra Theagarajah
Chairman/Independent Non-Executive Director

Mr. Prakash Schaffter
Non-Independent Non-Executive Director

Mr. K. M. M. Jabir
Chief Executive Officer/ Executive Director

Mr. Nalin Karunaratne
Independent Non-Executive Director

Ms. Minette Perera
Non-Independent Non-Executive Director

Mr. Sriyan Cooray
Independent Non-Executive Director

Ms. Indrani Goonesekera
Independent Non-Executive Director

Mr. Darshana Ratnayake
Independent Non-Executive Director

BOARD OF DIRECTORS PROFILES

Mr. Rajendra Theagarajah

Chairman/Independent Non-Executive Director

Mr. Theagarajah is a Fellow Member of Chartered Institute of Management and Attainments : Accountants, UK Fellow Member of Institute of Chartered Accountants of Sri Lanka, and holds a Master of Business Administration from Cranfield School of Business of UK. Professional Experience: A veteran banker, Mr. Rajendra Theagarajah had a highly successful career in banking both in the United Kingdom and Sri Lanka. During his 36-year career, he spent the last 16 years as CEO of three private licensed commercial banks in Sri Lanka and made significant contribution towards policy advocacy issues such as Page 1 of 2 Corporate Governance Framework for Banks, Basel III adoption and Fair Value Accounting by Banks, Financial Inclusion and more recently development of Fintec Sand Box framework for Banks. During this period he chaired the Sri Lanka Banks Association, the Asian Banks Association and Sri Lanka Financial Services Bureau Ltd. He also served on the boards of Lanka Clear, Colombo Stock Exchange and the Ceylon Chamber of Commerce. He currently serves on the Boards of Capital Holdings Limited, Siam City Sri Lanka (Pvt) Ltd. and Carson Cumberbatch PLC. Mr. Theagarajah is also a Senior Visiting Fellow of the Pathfinder Foundation, a leading think tank in Sri Lanka.

(Mr. Rajendra Theagarajah was appointed as the chairman of the company with effect from 28th April 2022.)

Mr. K. M. M. Jabir

Chief Executive Officer/ Executive Director

Mr. Jabir was appointed as the Director/ CEO of Orient Finance PLC on the 25th of November 2019.

He is a Finalist of the Chartered Institute of Management Accountants of UK and a Fellow Member of the Institute of Bankers of Sri Lanka. He has held numerous positions of seniority at several Financial Institutions.

Prior to Joining Orient Finance PLC, he was the Founder CEO and Executive Director of Richard Pieris Finance Ltd. and also held the position of Deputy General Manager - Operations, for 8 years at People's Leasing and Finance PLC. He was the Director of the People's Leasing Fleet Management Company. Further, he is also a visiting lecturer at the Institute of Bankers of Sri Lanka.

Mr. Jabir has a 37 years of experience in the Banking and Finance Industry.

Mr. Prakash Schaffter

Non-Independent Non-Executive Director

Mr. Prakash Schaffter is the Cambridge educated Executive Deputy Chairman of Janashakthi Insurance PLC. He has three decades of experience in the Insurance Industry in both Sri Lanka and the United Kingdom. He has led Janashakthi Insurance PLC as Managing Director since 2006, through a growth phase that saw Janashakthi become the third largest Non-Life Insurer and was appointed as Chairman in November 2018. He was instrumental in acquiring the Non-Life business of AIA Insurance Lanka in 2015 and led the divestment project of Janashakthi's Non-Life business in 2018. Prakash is a former President of the Insurance Association of Sri Lanka and continues to impact the business sector through his membership on the council of the Sri Lanka Institute of Directors (SLID). He serves on the Boards of several listed and unlisted entities and has been amongst the youngest Fellow Members of the Chartered Insurance Institute. He holds the Bachelors degree in Political Science from University of London and a Masters from the University of Cambridge. He has also served as President of the Young Presidents Organisation of Sri Lanka. A former first class cricketer, he represented both the University of Cambridge and London University during his cricketing career. He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

Mr. Nalin Karunaratne

Independent Non-Executive Director

Mr. Nalin Karunaratne is a Fellow of both the Chartered Institute of Marketing (CIM), UK and CIMA, UK. He has also completed several executive education programs at the prestigious IMD Business School, Switzerland; Harvard Business School, USA; and Asian Institute of Management, Philippines.

Nalin has had a long and illustrious career with several leadership roles at some of Sri Lanka's preeminent local and multinational enterprises including Akzo Nobel Paints Lanka (Private) Limited, Darley Butler, ICL: Lafarge Holcim (Lanka) Limited; and Reckitt Benckiser (Lanka) Limited as well as Saudi Arabia's Almarai Company Limited, the world's largest vertically integrated dairy company. He currently serves as the Director/Chief Executive Officer of Ceylon Biscuits Limited and CBL Exports (Pvt) Ltd. (members of the CBL Group.)

BOARD OF DIRECTORS PROFILES

Ms. Minette Perera

Non-Independent Non-Executive Director

Ms. Minette Perera was the Group Finance Director of the MJF Group, which comprises several tea growing, packing and exporting companies, supplying the "Dilmah Tea" brand around the world, from September 2000 to March 2013. During the period of her employment with the MJF Group, she was appointed a Director of the MJF Group of Companies including MJF Holdings Limited and held the Board positions till December 2014. She has also held Board positions before joining the MJF Group. Ms. Perera currently serves on the Boards of First Capital Holdings PLC and its subsidiaries as an Independent Non-Executive Director, and on the Boards of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC), Kahawatte Plantations PLC and Talawakelle Tea Estates PLC.

Ms. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a Finance Professional having worked in leading local and international companies as an Executive Director.

Mr. Sriyan Cooray

Independent Non-Executive Director

Mr. Sriyan Cooray currently serves as an Independent Non-Executive Director on the Board of National Development Bank PLC and was appointed as the Chairman of the Board Integrated Risk Management Committee and also serves on the Audit Committee, Strategic Issues Committee and Related Party Transaction Review Committee. He is a Fellow Member of the Chartered Institute of Management Accountants of UK. An accomplished banker with 28 years of experience at HSBC. Mr. Cooray has served in a wide range of areas ranging from Finance, Operations, Compliance, Administration and Retail Banking at HSBC and retired from HSBC – Sri Lanka and Maldives as the Chief Operating Officer in May 2018. Whilst at HSBC, Mr. Cooray has also served on its Executive Committee for 25 years, a member of the Board of Trustees of the HSBC Provident and Pension Fund and served on many internal committees of HSBC including the Assets and Liabilities Committee, Human Resource Policy Review Committee, HSBC's IT Steering Committee and Chaired the Management Committee which comprised the bank's second tier management. Mr. Cooray acted as the Bank's CEO on numerous occasions in the last 15 years of his banking career with HSBC. He has gained a wealth of expertise from the widespread executive development offered by the HSBC Group. From an industry perspective, he Chaired the industry level Banking Technical Advisory Committee in 2015/2016 as a Sub-Committee of the Sri Lanka Bankers Association. Prior to joining HSBC, Mr. Cooray has also been a part of Speville M & W Ltd., in the capacity of Financial Controller from 1987 – 1990 and prior to that he was engaged with KPMG Ford Rhodes Thornton & Company, Chartered Accountants. Mr. Cooray has represented Sri Lanka in rugby.

Ms. Indrani Goonesekera

Independent Non-Executive Director

Ms. Indrani Goonesekera is a Legal Consultant. She was the former Head of Legal of the Hatton National Bank PLC a leading licensed commercial bank and a company listed on the Colombo Stock Exchange. She has served on the Bank's Corporate Management for over 15 years and has functioned in the post of Deputy General Manager (Legal) for over 11 years, being overall responsible for advising and guiding the Bank on all legal aspects of the banking business and other operations. In addition to the post of Deputy General Manager (Legal), she was also the Board Secretary of the Bank responsible inter alia for advising and guiding the Board in complying with all laws, rules, regulations procedures applicable to the Bank as an incorporated company, as a Licensed Commercial Bank by the Monetary Board of the Central Bank of Sri Lanka and as a Company listed on the Colombo Stock Exchange. She was also Advisor to the Chairman of the Board of Directors of the Bank for a brief period. She has had a wide exposure to Banking and Finance, Corporate, Business and Commercial sectors. She commenced her professional career as a Junior Counsel in the Chambers of Mr. K N Choksy, President's Counsel, after reading at the Chamber as an apprentice.

She holds a degree of Master in Laws (LLM) from the University of West London in International Business and Commercial Law and is an Attorney-At-Law of the Supreme Court of the Republic of Sri Lanka.

She is a Member of the Bar Association of Sri Lanka.

Mr. Darshana Ratnayake

Independent Non-Executive Director

Mr. Darshana Ratnayake possesses over 3l years of experience as a Banker of which the last 7 years was as a member of the Corporate Management of two banks namely, NDB Bank and Cargills Bank. His immediate past appointment had been as the Chief Commercial Officer of Cargills Bank where he headed the SME and Retail Banking portfolios as well as the marketing aspects of the Bank. Prior to that he had been at Senior Management level for 3 years. Mr. Ratnayake possesses a Certificate in Finance from the Institute of Financial Services - UK, MBA from the University of Wales - UK, and a Certificate in SME Lending from Omega Institute, IFC.

He is well versed in all areas of Banking especially Retail, Agri Microfinance, Corporate and SME credit. He has been an integral part of critical committees of Banks including ALCO, Strategic Committees. Credit Committees and HR Committees. He has a proven track record in private and priority banking, sales team management and setting up and managing credit facilities. He has also been at the forefront of technology and payments strategies at several banks. He has extensive experience in bank branch network management. He also possesses international qualifications in SME credit evaluation and credit risk management. He counts Human Resources Management as a core competency. Mr. Ratnayake served as Director of NDB Wealth Management (Pvt) Ltd. He is also the Director Corporate Affairs at Kings Hospital Colombo Pvt Ltd.

CORPORATE MANAGEMENT

Standing Left to Right

Mr. Nuwan Nilantha - Senior Manager - Treasury

Mr. Priyan Jayakody - Chief Internal Auditor

Mr. K. M. M. Jabir - CEO/Executive Director

Mr. Dhanuka Tharanga Perera - AGM - Gold Loan

Mrs. Gayani Godellawatta - Head of Risk and Compliance

Mr. Saminda Ratnayake - Head of Channels

Mr. Sanjeeva Jayasinghe - Head of Finance

Mr. Chatura Kulatilaka - Head of Information Communication Technology

Mr. Pussewelage Prabath Sri De Silva - Head of Credit Administration & Operations

Ms. Prasadi Perera - AGM - Operations

SENIOR MANAGEMENT

Standing Left to Right

Mr. W. M. Mahesh Amaradasa - Manager Finance

Mrs. Roshani De Silva - Manager - Legal

Mr. Ajith Edirisinghe - Senior Manager - Credit Risk Administration

Mr. Shairman Kaluaarachchi - Senior Manager - Fund Mobilisation

Mr. Duminda Wijewardena - Manager - Recovery

Mr. Mario Fonseka - Manager - Administration

Mr. Mohommad Azhar Mohommad Arshath - Manager - Internal Controls

REGIONAL MANAGEMENT

Standing Left to Right

Mr. K.M.N. Jayasekara (Naleen Jayasekara)	-	Regional Manager – Southern Region
Mr. V.D.R. Chaminda (Roshantha Chaminda)	-	Regional Manager – Eastern Region
Mr. L.A.D.R.S. Perera (Ruchira Perera)	-	Regional Manager – Central Region
Mr. A. Suren (Alagaratnam Suren)	-	Regional Manager – Northern Region

Mr. S. Varathan (Sockalingam Varathan)	-	Regional Manager – Western Region
Mr. R.M.A.K.D.N. Kumara (Dileepa Rajapaksha)	-	Regional Manager – Metro II Region
Mr. M.A. Ifath (Muhammed Ifath)	-	Regional Manager – Metro I Region

FD Plus City Drive

17th & 18th June 2022

We like to take this opportunity to thank over **150 staff members** from **31 branches** around the island for all their hard work and dedication towards the FD Plus promotion which was held last weekend. The entire team has shown an enthusiastic effort to promote this new product to the market. We anticipate the same spirit and support for the upcoming promotions.

Orient FD PLUS

Orient Finance

CORPORATE GOVERNANCE

The Company ensures compliance with the following statutory legislation and regulations applicable thereunder:

* The Companies Act No. 7 of 2007
*Finance Business Act No. 42 of 2011

The Company is in compliance with the following Directions relating to Corporate Governance;

* Finance Companies (corporate governance) Direction No. 03 of 2008 issued by.
* Listing Rules issued by the Colombo Stock Exchange

And voluntarily complies with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, to the extent possible.

The Company's commitment and compliance with respect to the above directions, code and rules are summarised in the table below.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
Code A.1	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Complied	Orient Finance PLC is headed by a well experienced and eminent Board of Directors who provides direction and leadership to the Company and guides its activities
Responsibilities of the Board			
CBSL 2.1 (a), (b) Code A.1.2	Ensuring the formulation and implementation of a sound business strategy, values and risk management procedures and communicating same throughout the organisation.	Complied	The Board has approved the strategic plan of the company for the next three years. Board approved values and risk management procedures are in place for the Company. These have been communicated to the staff.
CBSL 2.1(c), (e) Code A.1.2	Identify risks and ensure implementation of appropriate systems by the Board of Directors, review adequacy of the internal control systems and the management information system	Complied	The Board, through its sub-committees, Integrated Risk Management Committee (IRMC) identifies key risks in business operations and any lapses in the internal control framework through the Board Audit Committee and ensures that adequate mitigation action and controls are in place to manage such risk.
CBSL 2.1 (d)	Approving a policy of communication with the stakeholders.	Complied	A Board approved Policy for communication with shareholders is in place.
CBSL 2.1 (f), (g), (h) Code A.1.2	Proper delegation of authority to the Key Management Personnel (KMP).	Complied	The Board has delegated the day to day functioning of the Company to the Key Management Personnel (KMPs).

CORPORATE GOVERNANCE

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 2.1(i)	Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel;(ii) the management of conflicts of interest; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied	(i) the selection, nomination and election of directors are overseen by the Nomination Committee (ii) the selection and appointment of key management personnel is overseen by the Human Resources and Remuneration Sub Committee (iii) Directors and KMPs disclose their interests in order to effectively manage the conflicts of interest (iv) Governance policies are reviewed and changes implemented when weaknesses are observed and as necessary
CBSL 2.1 (j)	Adoption of an effective Succession Plan for Key Management Personnel.	Complied	A Board approved succession plan is in place for all KMP positions.
CBSL 2.1 (k)	Meeting regularly with key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives	Complied	The Board of Directors engage with KMPs regularly at Board Meetings and Board sub-committee meetings to monitor the achievement of corporate objectives
CBSL 2.1 (l),(m)	Understanding the regulatory environment and exercise due diligence in the hiring and oversight of external auditors.	Complied	Updates on regulatory matters are provided to the Board. The Board Audit Committee (BAC) exercises due diligence in hiring and oversight of external auditors.
CBSL 2.2	The board to appoint the Chairman and the Chief Executive Officer (CEO)	Complied	The Board has appointed a Chairman and CEO.
CBSL 2.3 Code A.1.3	Independent professional advice to be obtained according to a procedure agreed to by the Board at the Company's expense.	Complied	A process is in place in this regard.
CBSL 2.4	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	Directors declare their interest in matters in which they have any interest and abstain from participating in the discussion.
CBSL 2.5	The Board shall have a formal schedule of matters specially reserved to it for decisions to ensure that the direction and the control of the finance company is firmly under its authority.	Complied	A formal schedule of matters reserved for the Board is in place.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 2.6	The Board shall, if it considered that the finance company is, or is likely to be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of supervision of the Non-Bank Financial Institution of the situation of the finance company prior to taking any decision or action.	Not applicable	This requirement has not arisen so far. It has been noted by the Board for compliance if the need arises.
CBSL 2.7 10.2 (j)	The Board shall include an annual corporate governance report in the annual report and external auditors' certification should be obtained.	Complied	Please refer pages 102 - 111
CBSL 2.8 Code A.9	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually and maintain records of such assessment.	Complied	The Board performs a self-assessment, annually and such records are maintained.
Meetings of the Board			
CBSL 3.1 Code A.1.1	The Board shall meet twelve times a financial year at approximately monthly intervals.	Complied	Board Meetings are scheduled every month and any additional meetings are also called as and when required.
CBSL 3.2	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings.	Complied	Any Director who wants a particular matter to be taken up for discussion at a Board Meeting could inform the CEO and the Company Secretaries for the preparation of a discussion Paper in that regard and inclusion of such item on the Agenda for discussion.
Code A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company.	Complied	Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that their duties and responsibilities are satisfactorily discharged.
CBSL 3.3 Code A.6.2	A notice of at least 07 days shall be given for a regular Board meeting.	Complied	The dates for Board Meetings are fixed in advance.
CBSL 3.4	A Director, who has not attended at least two-thirds of the meetings in the period of twelve months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the Directors' meetings through an alternate Director shall however, be acceptable as attendance.	Complied	Attendance of Directors at Board Meetings are monitored by the Company Secretaries.
CBSL 3.5	The Board shall appoint a Company Secretary to carry out secretarial services to the Board and shareholders meetings and other functions specified in the regulations.	Complied	Janashakthi Corporate Services (Pvt) Ltd. has been appointed as the Company Secretaries to carry out the company secretarial functions.

CORPORATE GOVERNANCE

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 3.6	If the Chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied	The Company Secretaries prepare the agenda for the Board Meetings in consultation with the Chairman.
CBSL 3.7 Code A.1.4	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied	All Directors have access to the services of the Company Secretaries.
CBSL 3.8	The Company Secretary shall maintain the Minutes of Board meetings and such Minutes shall be open for inspection at any reasonable time on reasonable notice by any director.	Complied	The Minutes of Board Meetings are maintained by the Company Secretaries and is available for inspection by any Director.
CBSL 3.9	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The Minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board Meetings.	Complied	Minutes of Board Meetings are recorded in sufficient detail to enable the demonstration of compliance with statutory obligations.
Composition of the Board			
Code A.10, A.10.1	Shareholders should be kept advised of relevant details in respect of Directors.	Complied	The necessary disclosures are made, as required.
CBSL 4.1	Number of Directors should not be less than 05 and not more than 13.	Complied	As at 31.03.2022, the Board comprises of seven (07) directors.
CBSL 4.2	Total period of service of a Director should not exceed 09 years.	Complied	No Director has served on the Board for a period exceeding 9 years. The period of service of Directors is monitored by the Company Secretaries.
CBSL 4.3 Code A.5	Executive Directors shall not exceed one-half of the number of Directors of the Board.	Complied	There is only one (01) Executive Director out of seven (07) Directors on the Board.
CSE 7.10.1.a	Board shall include at least - two Non-Executive Directors or - such number of Non-Executive Directors equivalent to one third of the total number of directors whichever is higher	Complied	Six (06) out of seven (07) Directors are Non-Executive Directors.
CSE 7.10.2.a	Two or one third of the Non-Executive Directors, whichever is applicable, shall be independent	Complied	Four (04) out of seven (07) Directors are Independent Directors.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 4.4 Code A.5.2	Number of Independent Non-Executive Directors of the Board shall be at least one fourth of the total number of Directors.	Complied	Four (04) out of seven (07) Directors are Independent Non-Executive Directors.
CBSL 4.5 Code A.5.6	An alternative director appointed to represent an Independent Non-Executive Director should meet with the criteria for Independent Non-Executive Directors	NA	There are no alternate Directors to represent Independent Non-Executive Directors.
CBSL 4.6	Non-Executive Directors shall have necessary skills, qualifications and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied	Non-Executive Directors are well qualified and are experienced in their respective fields.
Code A.1.5	All Directors should bring independent judgment to bear, in discharging their duties and responsibilities on matters relating to the BOD including strategy, performance, resource allocation, risk management, compliance and standard of business conduct.	Complied	The Directors are qualified and experienced in diverse fields and the Board, collectively, possess the expertise to contribute to the strategy, risk management and other relevant areas of the Company.
CSE 7.10.2.b Code A.5.4	Each Non-Executive Director shall submit a signed and dated declaration annually of his/her independence or the non-independence against the specified criteria.	Complied	Each Director submits a declaration of independence, annually.
Code A 5.7 CBSL requirement	In the event the Chairman and CEO is the same person, or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO, Board should appoint one of the independent Non-Executive Directors to be the "Senior Independent Director" (SID) and disclose this appointment in the Annual Report.	NA	With the appointment of the former Chairman, Mr Anil Tittawella as the Chairman of Janashakthi Insurance PLC and his designation as a Non-Independent Non-Executive Director, Ms Indrani Goonasekera was appointed as the Senior Director, with the approval of the CBSL.
CBSL 4.7	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors.	Complied	This requirement has been complied with.
Code A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Complied	The Board comprises of Directors with financial acumen and knowledge to guide on matters of finance.

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Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 4.8	The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report.	Complied	Please refer pages 48 - 49 for these details.
CBSL 4.9 Code A.7, A.7.1, A.7.2	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Complied	The Nominations Committee identifies nominations for the appointment of new Directors which are submitted to the CBSL for approval and appointments take place after receiving regulatory approval.
Code A.8	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Complied	Duly complied.
CBSL 4.10	All directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after the appointment.	Complied	Duly complied with.
CBSL 4.11	The Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institution of the Central Bank of Sri Lanka, regarding the resignation or removal of directors with the reasons and the relevant director's disagreement with the board.	Complied	All director resignations are notified to the Director of the Department of Supervision of Non-Bank Financial Institutions.
CSE 7.10.3.c	The board shall publish a brief resume of each director on the board in its annual report including nature and expertise in relevant functional areas.	Complied	Please refer pages 50 - 53
CSE 7.10.3.d	The entity shall provide a brief resume of every new appointment of a director to the board for dissemination to the public.	Complied	The necessary disclosures have been made as and when required.
Fitness & Propriety of Directors			
CBSL 5.1	A director who attains the age of 70 years on or after 18 June 2020, shall continue in his office as director subject to the prior approval of the Monetary Board.	NA	There are no Directors above the age of 70 years on the Board.
CBSL 5.2	A director shall not hold office as a Director of more than 20 companies/ societies/body corporate inclusive of subsidiaries or associate companies of the finance company.	Complied	No director holds directorships of more than 20 companies. This aspect is monitored by the Company Secretaries.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
Delegation of functions			
CBSL 6.1	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	Decisions of Board Sub-Committees are submitted to the meetings of the Board for information or approval, as required.
CBSL 6.2	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Finance Company.	Complied	The delegation process is periodically reviewed by the Board.
The Chairman & the Chief Executive Officer			
CBSL 7.1 Code A.2	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Complied	The positions of Chairman and Chief Executive Officer are separate and held by different individuals.
CBSL 7.2	The chairman should be a Non-Executive Director	Complied	The Chairman is a Non-Executive Independent Director (due to the demise of the Chairman, Mr Anil Tittawella, the post of Chairman was vacant as at 31.03.2022. The new Chairman, who is an independent non-executive director was appointed with effect from 28.04.2022)
CBSL 7.3	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	The names of the Chairman and Chief Executive Officer are disclosed in pages 12 – 14 of this Annual Report. There is no financial, business, family or other relationship between the Chairman and the Chief Executive Officer. No other financial, business or family relationships exist between any other members of the Board, other than being common directors in certain companies.
CBSL 7.4 Code A.3	The Chairman shall: provide leadership to the Board; ensure that the board works effectively and discharges its responsibilities; and Ensure that all key issues are discussed in a timely manner.	Complied	The Chairman is a Non-Executive Director and provides leadership to the Board and ensures that the Board works effectively and that key issues are discussed in a timely manner.

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Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 7.5	The Chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The Chairman may delegate this to the Company Secretary.	Complied	The agenda for the Board Meetings is prepared under the guidance of the Chairman.
CBSL 7.6 Code A.6	The Chairman shall ensure that all directors are properly informed on issues arising at Board Meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	Board papers are circulated with sufficient details prior to the meetings in order for directors to request any other information, if necessary. Minutes of Board Meetings are circulated in a timely manner.
CBSL 7.7	The Chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the finance company.	Complied	The Chairman encourages all Directors to contribute their views and opinions on matters subject to discussion and considers the views of all Directors prior to arriving at a decision.
CBSL 7.8	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between Executive and Non-Executive Directors.	Complied	The Chairman encourages all Directors to contribute their views and opinions on matters subject to discussion and considers the views of all Directors prior to arriving at a decision.
CBSL 7.9	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied	The Chairman is a non-executive Director and does not involve in any executive duties.
CBSL 7.10 Code C.1	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	Effective communication with shareholder is maintained through the Annual General Meeting (AGM) and Extraordinary General Meetings. Moreover, Annual Reports are delivered to shareholders fifteen working days prior to the AGM in order to communicate their views effectively. The Chairman briefs the Board and the CEO regarding any issues or concerns of the shareholders.
CBSL 7.11	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the Company's operations and business.	Complied	The Chief Executive Officer is in charge of managing the day-to-day operations of the company.
Code A.11	The Board should be required to assess the performance of the CEO at least annually.	Complied	The Board assesses the performance of the CEO, annually.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
Board appointed Committees			
CBSL 8.1	Every Finance Company shall have at least two Board committees as set out in paragraphs 8 (2) and 8 (3) of these Directions. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings and maintain minutes, records, etc., under the supervision of the Chairman of the Committee. The Board shall present a report of the performance on each Committee, on their duties and roles at the Annual General Meeting.	Complied	The following Board Sub-Committees are in operation: 1. The Integrated Risk Management Committee 2. The Board Audit Committee 3. Related Party Transactions Review Committee 4. Board Remuneration and Human Resources Committee 5. Nominations Committee The reports of Board Sub-Committees 1-4 are included in the Annual Report.
Audit Committee			
CBSL 8.2 (a) CSE 7.10.6.a Code D.3.1	The Chairman of the Committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied	The Chairperson of BAC is a Non-Executive Director who possesses qualifications and vast experience and expertise in accountancy and audit.
CBSL 8.2 (b)	Board members appointed to the Committee shall be Non-Executive Directors.	Complied	Board Members of the BAC are Non-Executive Directors with extensive financial acumen.
Code D.3.2	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties.	Complied	Terms of Reference for the Board Audit Committee, which clearly spells out its duties and authority has been approved by the Board of Directors.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 8.2 (c) Code D.3	The Committee shall make recommendations on matters in connection with: i. the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii. the implementation of the Central Bank guidelines issued to auditors from time to time; iii. the application of the relevant accounting standards; and iv. the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of an Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied	These aspects are covered in the Terms of Reference of the Board Audit Committee and are monitored by BAC.
CBSL 8.2 (d)	The Committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied	The BAC reviews the independence and effectiveness of the audit process in accordance with applicable standards and best practices.
CBSL 8.2 (e)	The Committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non audit services.	Complied	A Board approved policy on engagement of an external auditor for providing non audit services is in place.
CBSL 8.2 (f)	The Committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: i. an assessment of the Company's compliance with the relevant Directions-the management's internal controls over financial reporting; ii. the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and iii. the co-ordination between firms where more than one auditor is involved	Complied	At the commencement of the annual audit, the nature and scope of the Audit was discussed with the external auditors in accordance with the stated matters and the Sri Lanka Auditing Standards.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 8.2 (g)	The Committee shall review the financial information of the Company, in order to monitor the integrity of the Financial Statements of the Company, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Company's annual report and accounts and quarterly reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant Accounting Standards and other legal requirements.	Complied	The financial statements of the Company, including the quarterly Financial Statements prepared for publishing as well as the Annual Report and annual accounts are reviewed by the BAC prior to recommending to the Board for approval. During the review, the BAC members may clarify any areas where they have concerns, including any changes in accounting policies and practices compliance with relevant accounting standards and other legal requirements.
CBSL 8.2 (h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied	The Committee members discuss and clarify any issues they may have in relation to the financial statements with the auditors. Issues have not arisen that require discussion without the presence of the KMPs.
CBSL 8.2 (i)	The Committee shall review the external auditor's Management Letter and the management's response thereto.	Complied	The Management Letter of the External Auditors along with management responses is submitted to the BAC for its review.

CORPORATE GOVERNANCE

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 8.2 (j) CSE 7.10.6.b	The Committee shall take the following steps with regard to the internal audit function of the Company. i. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; ii. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; iii. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department iv. Recommend any appointment or termination of the head, senior staff member and outsourced service providers to the internal audit function. v. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Complied	The BAC reviews the internal audit plan for each year prepared and submitted by the Chief Internal Auditor (CIA) and engages with the CIA regarding resource availability to carry out the audit plan. The achievement of the internal audit plan is a regular agenda item at each meeting of the BAC. The BAC reviews the performance of the CIA vis-à-vis the achievement of the audit plan and the satisfaction with work performed. The Internal audit division functions independent of the operational departments that it audits in order to ensure the impartiality and proficiency of its work.
CBSL 8.2 (k)	The committee shall have considered major findings of internal investigations and management's response thereto	Complied	The BAC reviews all high and medium rated findings of internal audit reports and investigation reports and the Management responses thereto.
CBSL 8.2 (l)	The Chief Financial Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the Committee shall meet with the external auditors without the Executive Directors being present.	Complied	The Chief Internal Auditor, Chief Financial Officer and the Chief Executive Officer attends meetings of the BAC by invitation. If the need arises, the BAC would meet with the external auditors without the Executive Director (CEO) and KMPs being present.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 8.2 (m)	The Committee shall have : (i)explicit authority to investigate into any matter within its terms of reference ;(ii) the resources which it needs to do so; (iii) full access to information ;and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied	The BAC is empowered in the said areas through its TOR.
CBSL 8.2 (n)	The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	The papers for discussion at the meetings of the BAC are uploaded in advance for the members to prepare for the meeting and minutes are properly recorded and maintained.
CBSL 8.2 (o) CSE 7.10.6.c Code D.3.3	The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings. (iv) Committee shall make a determination of the independence of the auditors and disclose such (v) A report by the committee setting out the compliance status in relation to the Section 7.10	Complied	These details are disclosed in pages 98-99 of this Report.
CBSL 8.2 (p)	The Secretary of the Committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed Minutes of the Committee Meetings.	Complied	Minutes of the BAC are recorded in detail by the Risk and Compliance Division.
CBSL 8..2 (q)	The Committee shall review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters. Ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow –up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	Complied	A Board approved whistleblower policy is in place which has been disseminated to all employees.

CORPORATE GOVERNANCE

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
Integrated Risk Management Committee			
CBSL 8.3 (a)	The Committee shall consist of at least one Non-Executive Director, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied	The integrated Risk Management Committee comprises of 3 Non-Executive Directors and the Chief Executive Officer as well as the Head of Finance and Head of Risk & Compliance.
CBSL 8.3 (b)	The Committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information.	Complied	Reports on all pertinent risks are presented to the IRMC and discussed at its meetings.
CBSL 8.3 (c)	The Committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and asset-liability committee to address specific risks and to manage those risk within quantitative and qualitative risk limits as specified by the committee.	Complied	The minutes of all management level committees are submitted to the IRMC for their review of adequacy and effectiveness.
CBSL 8.3 (d)	The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent level decided by the Committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Complied	All risk indicators that exceed the specified quantitative and qualitative risk limits are reviewed and corrective action is discussed.
CBSL 8.3 (e)	The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied	Meetings of the IRMC are held on a quarterly basis.
CBSL 8.3 (f)	The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee and /or as directed by the Director of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied	The Committee recommends and initiates action as appropriate in relation to such findings. Action was recommended to improve the processes in such instances.
CBSL 8.3 (g)	The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied	The Committee submits an assessment report on the risk aspects and action recommended for mitigation of such risks to the Board.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 8.3 (h)	The Committee shall establish a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied	The Committee has established a compliance function to assess the company's compliance with laws, controls and approved policies on all areas of business operations. Head of Risk and Compliance carries out the compliance function and reports to the IRMC.
Related Party Transactions Review Committee			
Code D.4.2	The Board should establish a Related Party Transactions Review Committee consisting exclusively of Non-Executive Directors with a minimum of 03 Non- Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. Chairman should be an Independent Non-Executive Director appointed by the Board.	Complied	Related Party Transactions Review Committee consists of three (03) Independent Non-Executive Directors.
Code D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	Complied	Terms of Reference for the RPT Review Committee, which clearly spells out its duties and authorities have been approved by the Board of Directors.
CBSL 9.2	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of finance company with any person who shall be considered as "related party" for the purpose of this direction.	Complied	The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction with its related parties. The Related Party Transactions Review Committee is in place, in line with the Corporate Governance requirements. Further, transactions carried out with related parties in the normal course of business are disclosed in Note xx on "Related Party Disclosures" in the financial statements.
CBSL 9.3	Transactions with related parties in relation to accommodation, deposits, borrowings and investments, providing financial or non-financial services to or from the finance company, creating or maintaining reporting lines and information flows between the finance company and any related party are to be identified as transaction with related party	Complied	All such transactions are reviewed by the Board Related party Transactions Review Committee.
CBSL 9.4 Code D.4	The Board shall ensure that the finance company does not engage in transactions with related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents.	Complied	All related party transactions are treated in the same way as a transaction with a non-related party.

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Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
Remuneration Committee			
CSE 7.10.5.a	The committee shall consist of a minimum of two independent non-executive directors or a majority of Independent Non-Executive Directors whichever is higher.	Complied	The Remuneration Committee consists of a majority of independent non-executive directors.
CSE 7.10.5.b	The committee shall recommend the remuneration of the Chief Executive Officer and the executive directors.	Complied	The Terms of Reference of the Committee contains this requirement.
CSE 7.10.5.c Code B.1	The annual report shall include the names of directors of the committee, the remuneration policy and aggregate remuneration paid to the board of directors.	Complied	Please refer page 96
Disclosures			
CBSL 10.1	The Board shall ensure that: Annual Audited Financial Statements and Quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied	The financial statements are prepared and published at the specified frequencies in accordance with the formats prescribed by the regulatory authorities and applicable accounting standards. The financial statements are also published in the newspapers in the format provided by regulatory authorities in Sinhala, Tamil and English.
CBSL 10.2	The Board shall ensure following minimum disclosures are made in the annual report.		
CBSL 10.2.a Code D.1	A statement to the effect that the annual audited Financial Statements has been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied	Relevant disclosures are included in page 117 of the Annual Report under “Directors’ Responsibility for Financial Reporting”.
CBSL 10.2.b	A report by the Board on the Company’s internal control mechanism that confirms that the Financial Reporting System has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied	Relevant disclosures are included in page 117 of the Annual Report under “Directors’ Responsibility for Financial Reporting”.
CBSL 10.2.c	The external auditor’s certification on the effectiveness of the internal control mechanism referred to in Direction 10 (2) (b) above, in respect of any statements prepared or published after 31st March 2010.	Complied	The report of the External Auditors on the effectiveness of the internal control mechanism is disclosed in page 112 of the Annual Report.

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
CBSL 10.2.d / CSE 7.10.3.a	Details of directors including names, transactions with the finance company.	Complied	Please refer pages 50 - 53
CBSL 10.2.e Code B.3	Fees, remuneration paid by the finance company to the directors in aggregate.	Complied	Please refer disclosures in page 146
CBSL 10.2.f	Total net accommodation granted to each category of Related Parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance companies capital funds.	Complied	Relevant disclosures are made in page 166 of this Annual Report.
CBSL 10.2.g	The aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Company.	Complied	Relevant disclosures are made in page 166 of this Annual Report.
CBSL 10.2.h CSE 7.10	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliance.	Complied	Relevant disclosures are made in page 117 under "Directors' Responsibility Statement"
CBSL 10.2.i	A statement of the regulatory and supervisory concerns on lapses in the finance Company's risk management, or non-compliance with these Directions that have been pointed out by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	NA	Please refer Note No. 43
Code D.1.3	The annual report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements together with a statement by the auditors about their reporting responsibilities.	Complied	Please refer page 117
Code D.1.4	The Annual Report should contain a "Management Discussion and Analysis"	Complied	Please refer page 32-46

CORPORATE GOVERNANCE

Reference to CBSL regulation, ICALS & CSE Listing Rules	Corporate Governance Principle	Status of Compliance	Extent of Compliance as at 31.03.2022
Code C.3	Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Complied	Please refer page 166 to 167

Name of the Director	Board Meetings		Audit Committee Meetings		Integrated Risk Management Committee		Related party Transactions Review Committee		Human Resources and Remuneration Committee		Nomination Committee	
	Meetings Held	Attendance	Meetings Held	Attendance	Meetings Held	Attendance	Meetings Held	Attendance	Meetings Held	Attendance	Meetings Held	Attendance
Mr. Anil Tittawella *	13	11			3	3			5	3		
Mr. Prakash Schaffter	13	12							5	5	3	2
Ms. Minette Perera	13	13	8	8								
Ms. Indrani Goonesekera	13	13			3	3	4	4	5	5	3	3
Mr. Ramesh Schaffter	4	3			1	1					3	1
Mr. Sriyan Cooray	13	12	8	8			4	4				
Mr. Darshana Ratnayake	13	13	8	8	3	3	4	4	5	1	3	3
Mr. Nalin Karunaratne	6	4										
Mr. K.M.M. Jabir	13	13			3	3						

Notes :

* Mr. Anil Tittawella (demise on or about 26.02.2022)

** Mr. Ramesh Schaffter Retired as a Director w.e.f. 06th September 2021

*** Mr. Nalin Karunaratne was Appointed as the Non Executive Independent Director w.e.f. 21st December 2021

RISK MANAGEMENT

Risk is an inherent element in finance Business. Therefore, it is an indispensable element in our operations. We have implemented risk management strategies to effectively manage and mitigate the risks arising out of its business operations and to ensure that the residual risk remains within the risk appetite of the Company.

Our success and the sustainability as a financial institution depends on our ability to manage multiple risk factors arising out of the complex and competitive market across multiple locations, product categories, functional departments, customer segments and asset classes. In doing this we take an integrated approach to risk management.

The Board assumes overall responsibility for the management of risk and for reviewing the effectiveness of internal control processes. Risk Appetite is translated and cascaded to different business activities both quantitatively and qualitatively. We thus aim to deliver superior value to all our stakeholders while achieving an appropriate trade-off between risk and returns. Our approach to risk management is designed to provide reasonable assurance that our assets are safeguarded, the risks facing the business are being addressed and all information to be disclosed is reported to the senior management and the Board as appropriate.

Risk Management practices have been instilled into the core of every activity undertaken by the Company. The Risk Management process encompasses the identification, measurement, controlling and monitoring of each risk.

The Board of Directors, in principle is responsible for maintenance of a prudent risk management mechanisms and orderly implementation of the risk framework in the Company. The Board approves the policies, strategies and systems, and operational approach for risk management. The effective implementation of the risk management function is carried out through the Integrated Risk Management Committee (IRMC) and the corporate management of the Company.

The IRMC is the Board subcommittee, which oversees the risk management function in line with the Board approved policies and strategies. IRMC develops the policy and operations for Company-wide risk management. In addition to the Board's representatives, the IRMC consist of the CEO, Head of Finance and Head of Risk and Compliance.

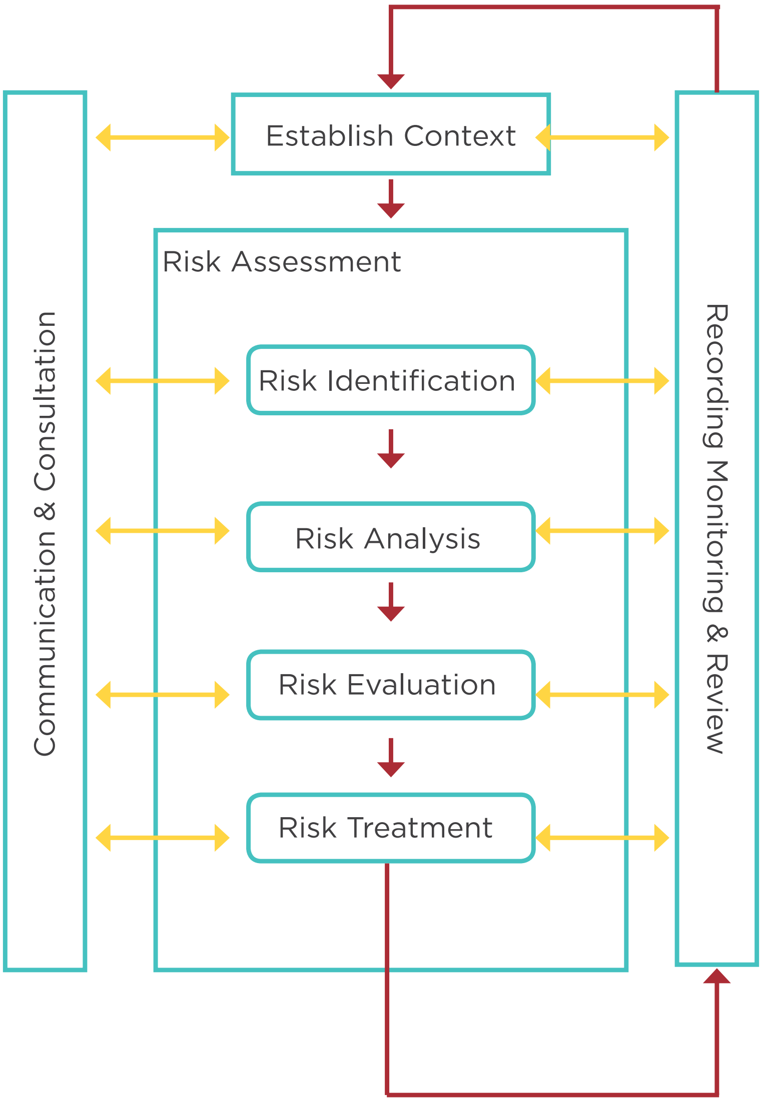
The Assets and Liabilities Committee (ALCO) is a management committee which is responsible for the asset-liability management and market risk management. The ALCO consists of the CEO, as the Chairman, and the key officials of the Company responsible for the management of assets and liabilities.

The Company's Risk & Compliance function is independent from the risk assuming business functions. It provides an independent oversight function which coordinates, facilitates and oversees the integrity and effectiveness of the Company's Risk Management framework. It is tasked with the responsibility of assisting the business units and functional departments in identifying and managing risks related to their respective operations and processes. It also monitors the status and effectiveness of the mitigation action plans.

PROCESS FOR MANAGING RISK

The following diagram illustrates the process for managing risk that the corporate risk management is to facilitate / coordinate with respective Heads of Business Units/ Departments

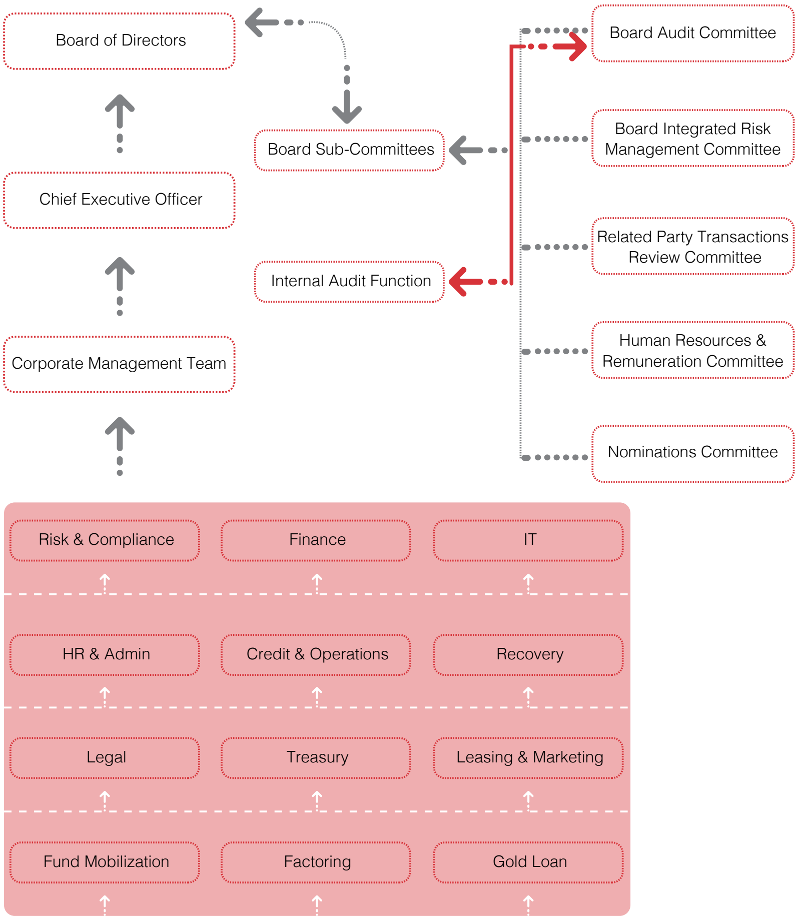
RISK MANAGEMENT



STRATEGIC LEVEL - At the Strategic Level, risk management function is overseen by the Board of Directors and the Integrated Risk Management Committee (IRMC). Tasks include defining risks, ascertaining risk appetite, formulating strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within the risk appetite.

MANAGEMENT LEVEL - At the Management Level, risk management within business areas or across business lines ensure that strategies, policies and directives approved at the strategic level are operationalised. Development and implementation of underlying procedures, processes and controls are ensured at the management level. Assuring compliance with laid down policies, procedures and controls, and reviewing the outcome of operations and measuring and analysing risk related information are also performed at this level.

OPERATIONAL LEVEL - At the Operational Level, risk management activities are performed by individuals who take risks on the Company's behalf, which includes front and middle office personnel. They are required to comply with approved policies, procedures and controls approved at strategic level. Operational Level personnel provide valuable inputs to continuously improve risk related activities undertaken in day-to-day operations.



SUMMARY OF KEY RISK CATEGORIES

Risk Type	Risk Appetite Level	Objective	Trend
Strategic Risk	Medium	To minimise risks associated with Company's business strategy, strategic objectives and strategy execution	--
Credit Risk	Medium	To safeguard the asset quality and reduce exposures to high risk segments	--
Liquidity Risk	Low	To safeguard against funding constraints that prevent growth and meet demands of depositors/investors	↑
Market Risk	Medium	To safeguard against adverse movement of market factors arising out of price sensitivities of funding sources, investments, commodity prices	↑
Operational Risk	Medium	To improve the reliability and effectiveness of business operations and enhance operational effectiveness	--
Compliance Risk	None	To minimise the cost of non-compliance, regulatory sanctions and litigation	↑
Deposit Risk	Medium	To mitigate the risk of probable cash outflows from a financial institution that is caused by changes in depositors' behavior	↑
Capital Adequacy Risk	Medium	To maintain the required amount of capital in line with the CBSL minimum requirement and an additional buffer which is perceived to be adequate to absorb the unexpected losses.	--
Human Resource Risk	Low	Attract, develop and retain the right number of appropriately skilled people, compete and grow effectively. Ensure that an appropriate succession plan is in place.	--

RISK MANAGEMENT

Risk Type	Risk Appetite Level	Objective	Trend
Reputational Risk	Low	Effectively manage the potential damage to the Company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Company or its actions	--
Technology Risk	Low	Manage the complexity of cyber- attacks, obsolescence, unexpected break down of ICT systems and loss of sensitive and valuable information.	--

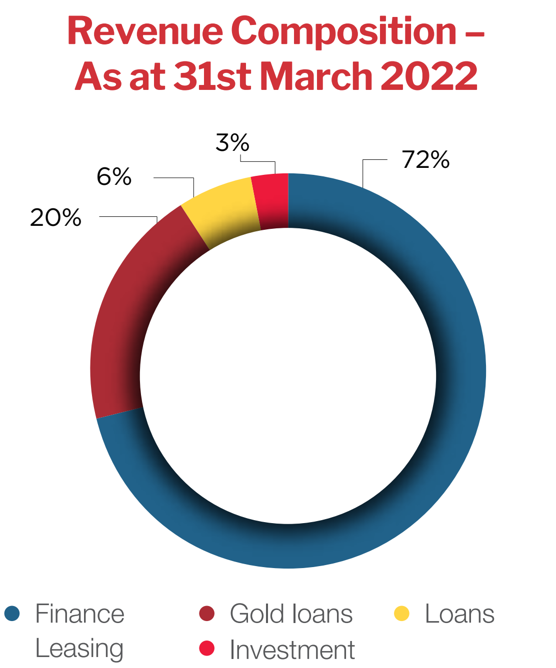
Overall Risk Position as at 31st March 2022

Increasing ↑ Decreasing ↓ Stable ...

STRATEGIC RISK

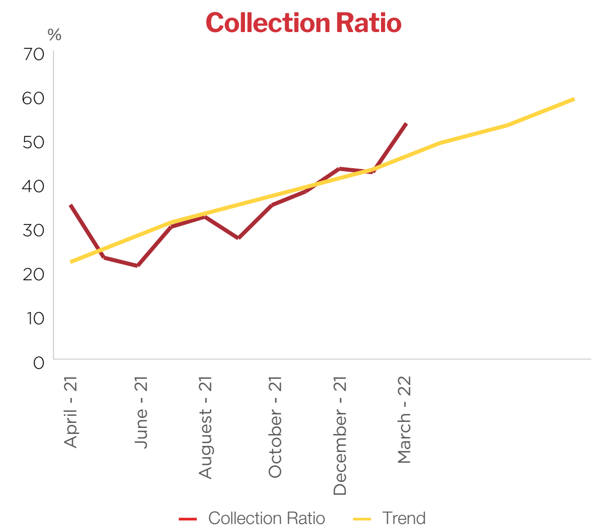
Strategic Risk arises from failure to achieving strategic goals of the Company. Business strategies are adopted after evaluating the overall risks associated with such strategies.

A comprehensive, Board-approved strategic plan for the next three years is in place with quantitative targets. As the Company is operating in a challenging and dynamic market, the strategic plan of the Company is monitored periodically to assess the possible obstacles that could arise in achieving the strategic objectives.



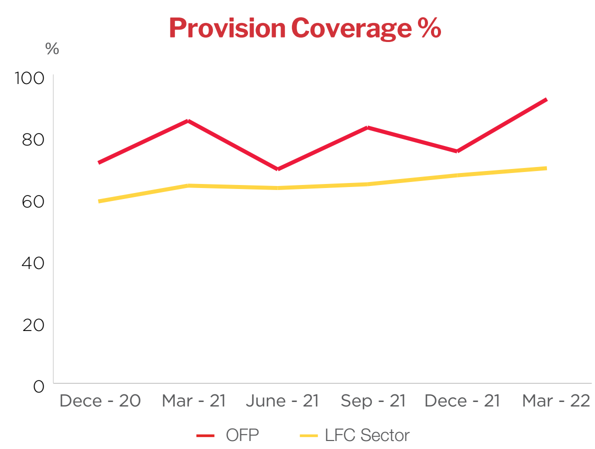
The revenue composition has shifted from leasing income to income generated from gold loan facilities during the last financial year, leading to a diversification of income sources of the interest income.

COLLECTION RATIO



Overall collection ratio increased to 53.46% in March 2022 compared to 46% in March 2021 and it has improved considerably from November 2021 (38.0%) representing an increasing trend.

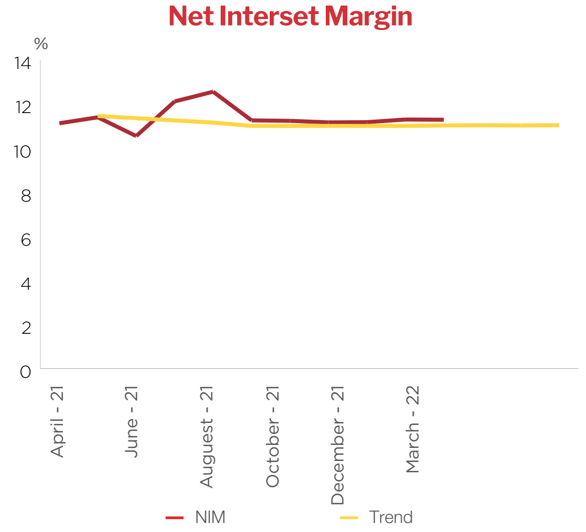
PROVISION COVERAGE RATIO



As a result of Company's prudent provisioning policy, almost all the delinquent loans have been fully provided for. Thus, the Company's provision coverage ratio is significantly above the industry.

NET INTEREST MARGIN

NIM has been on a stable level of 11% with slight changes since September 2021 to March 2022 and reported 11.28% as at 31st March 2022 indicating a slightly decreasing trend during the financial year.



** Total Assets base of OFP has increased from Rs. 14.89 Bn. to Rs. 17.73 Bn. which indicated an increase of 19.5% and loan portfolio has increased by 18.8% during the financial year.

Actions Taken by the Company to Manage the Strategic Risk

1. Maintaining the NIM of the main asset classes at the budgeted level
2. Focusing on the other type of income generation from the business lines such as gold loans and alternative finance business unit etc.

CREDIT RISK

Credit risk is the potential loss Orient Finance PLC would have to bear should our borrowers fail to meet their obligations towards the Company. In our business, credit risk is inherently associated with our core lending model and hence constitutes the Company's largest risk exposure. Credit risk encompasses three broad categories: default, concentration and settlement risk. In the financing sector – settlement risk falls under the category of credit default risk.

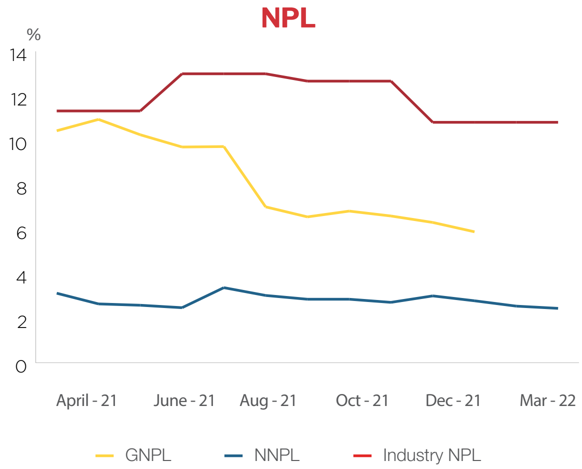
At Orient Finance PLC, Credit is required to be granted according to the approved policies and procedures of the Company. A Board approved Credit Policy manual is in place to guide the business units. Special attention is given to Credit Risk Management in terms of analysing customer credit worthiness through rigorous customer evaluations before credit facilities are granted and review of the repayments thereafter. The key aim of this process is to assess the borrower's ability to meet obligations in an objective manner.

CREDIT AND OPERATIONS MANUAL

The purpose of the Credit and Operations Manual is to streamline the loan origination process. It serves as a guide for Marketing Officers by detailing the credit facilities / products offered by the Company along with the credit granting criteria under each lending category. It also captures the respective due diligence protocols that need to be carried out as part of the initial customer on-boarding process for new lending activities.

HOW CREDIT RISK IMPACTS OUR BUSINESS

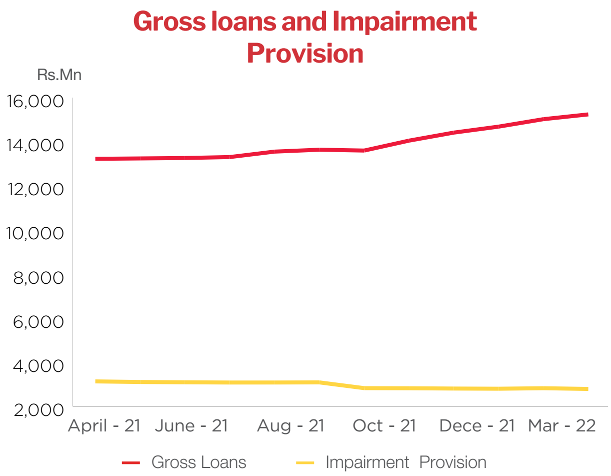
When borrowers are unable to meet their debt commitments towards the Company, Orient Finance's earning capacity is affected, triggering margin pressure as a result of the increase in loan loss provisioning. In addition, this causes a disruption in the planned cash flow cycle and a liquidity mismatch.



The non-performing loans ratio is a salient measure of the asset quality. Non-performing loans ratio is monitored on a regular basis at branch level, regional level and Company-wide level under the different product categories. During the year under review, the Company managed the NPL ratio within an acceptable level of 5.89% (Gross) whilst the industry NPL was above 10.81%.

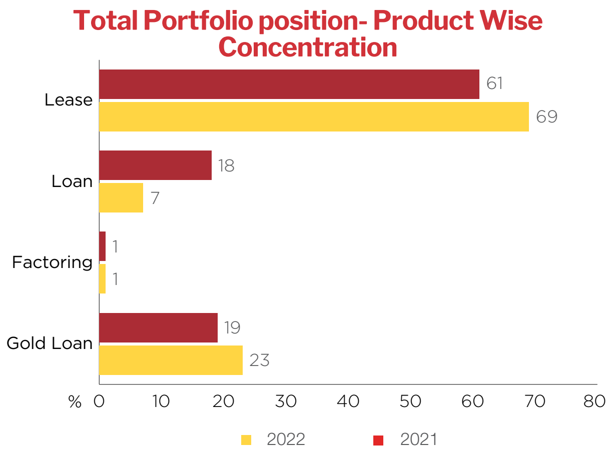
RISK MANAGEMENT

As a result of the pandemic related economic downturn, the asset quality of the industry as a whole decreased during the year. However, the Company was able to maintain performance against the industry by maintaining a much stronger overall asset quality.



The provision for impairment as a percentage of gross loans and receivables has increased as a result of the increase in the NPL ratio.

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of risk from loans and advances and investment securities at the reporting date is shown below:



As at 31st March 2022, 69% of the total portfolio consists of Lease facilities where as the gold loan portfolio contribute to 23% of the total portfolio. However, loan and factoring portfolios have been decreased during the year, since the products are no longer promoted.

Actions Taken by the Company to Manage the Default Credit Risk

1. Maintaining the single client exposure at a manageable level
2. Maintaining a proper balanced portfolio in terms of the concentration of asset category.
3. Close monitoring of arrears customers and intensified follow-up actions.
4. Strengthening credit underwriting standards and post disbursement monitoring.
5. Increased efforts on collection of overdues.
6. Follow up actions by the Recoveries Department.
7. The Board Credit Committee periodically reviews and updates the credit policy and lending guidelines issued to business segments.

LIQUIDITY RISK

Liquidity Risk refers to the risk when the Company does not have sufficient financial resources to meet obligations, without incurring excessive cost. In the case of Orient Finance this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of installments on bank and other borrowings as well as meeting other obligations.

* Market liquidity: Market liquidity risk is the inability to easily exit a position. The Company's market liquidity risk is low if assets can be liquidated without swaying the price.

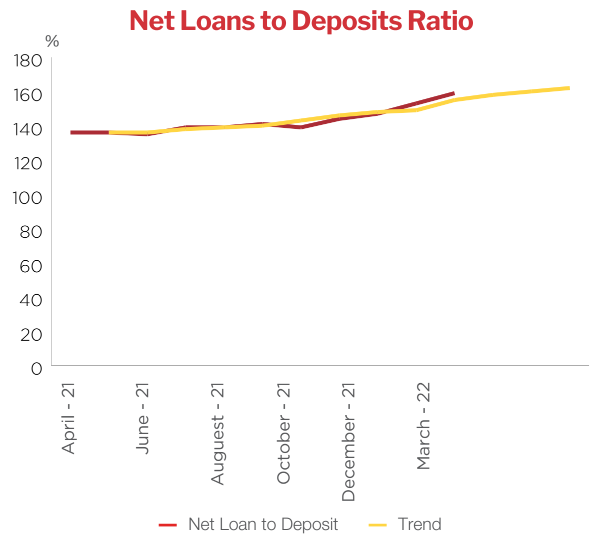
* Funding liquidity: - Funding liquidity risk means the company's inability to finance assets continuously at an acceptable borrowing rate and it arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable.

Management of mismatches in the timing of cash flows, effective management of liquidity is considered of the utmost importance in order to ensure smooth functioning of Company's operations. Therefore, the Company monitors a number of liquidity risk indicators to assess the efficacy of the comfort provided by its liquid assets. Key focus is given to liquid asset ratio, maturity gap analysis and funding concentration.

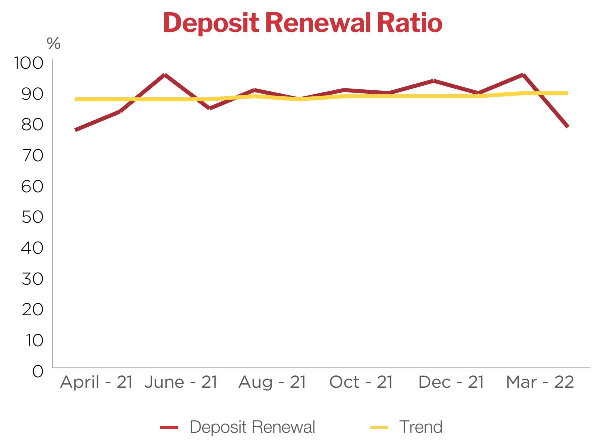
MONITORING AND GOVERNANCE OF LIQUIDITY RISK

The Asset-liability committees (ALCO) is responsible for monitoring liquidity risk, reporting and analysing, making proposals, setting limits and guidelines, and formulating and implementing plans relating to liquidity risk management. Daily funding requirements are closely monitored by the Treasury Department taking into consideration routine cash flows as well as one-off outflows of large single obligations.

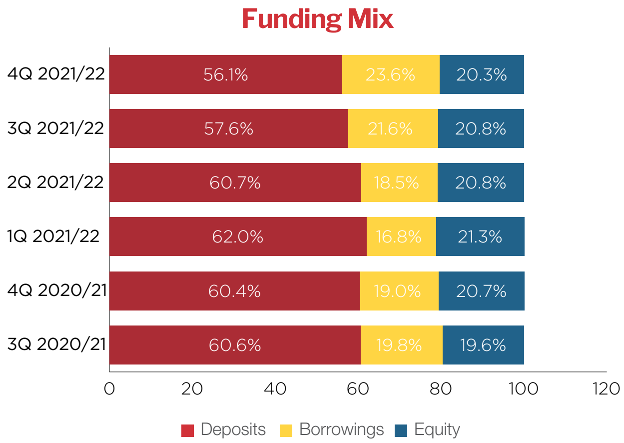
LOANS TO DEPOSIT RATIO



Loans to deposit ratio has increased continuously from November 2021. Loans to deposit ratio over 100% indicates that the Company is making the optimum use of deposit financing by transforming them into interest earning assets.

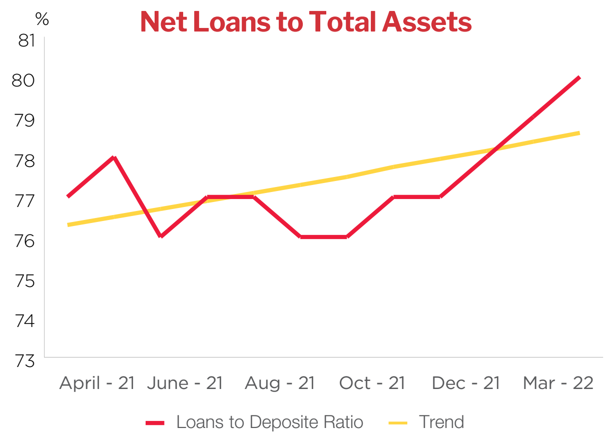


The deposit renewal ratio was maintained above the threshold limit of 75% throughout the year despite the economic shocks generated by the pandemic. OFP's average deposit renewal ratio for the current financial year remains at 87%.



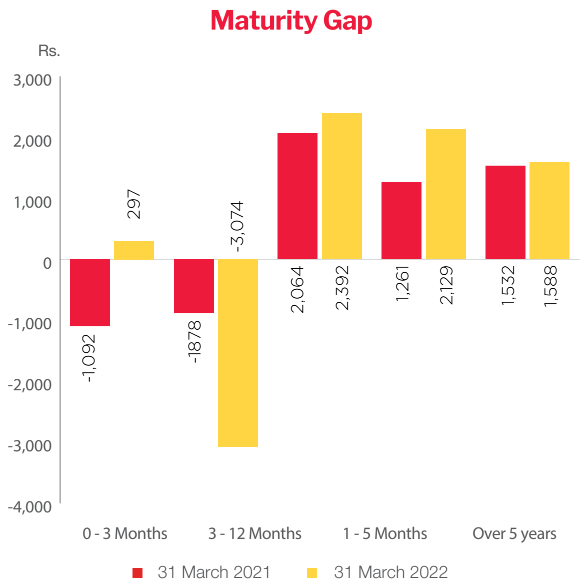
As at 31st March 2022, 79.7 % of the Company's total assets were funded by borrowings and customer deposits as opposed to 79.3 % recorded as at 31st March 2021.

Both funding from customer deposits and borrowings has been increased to 56.1 % and 23.6 % respectively during the financial year 2021/22.



The surge in ratio since September 2021 in net loans to total assets reflects that Orient Finance PLC has maintained the part of loans and advances in total asset base, reflecting our focus on growing core business, i.e. loans and advances.

RISK MANAGEMENT



The new liquidity position in 0 - 3 months maturity gap increased due to the excess liquidity position of the Company. However, 3 - 12 maturity gap shows an increasing negative liquidity gap and it has increased compared to the financial year 2020/2021.

ACTIONS TAKEN BY THE COMPANY TO MANAGE LIQUIDITY RISK

1. Availability of funding pipeline with alternative funding sources and credit lines.
2. Establishing early warning signals for ensuring that the liquidity position continues to be consistently well managed under both normal and stressed conditions, based on the findings of the cash flow analysis.
3. Increased emphasis on collections and FD mobilisation.
4. Building up the contingency funding arrangements.

MARKET RISK

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates risk and commodity price risk constitute the most critical market risk categories for Orient Finance PLC.

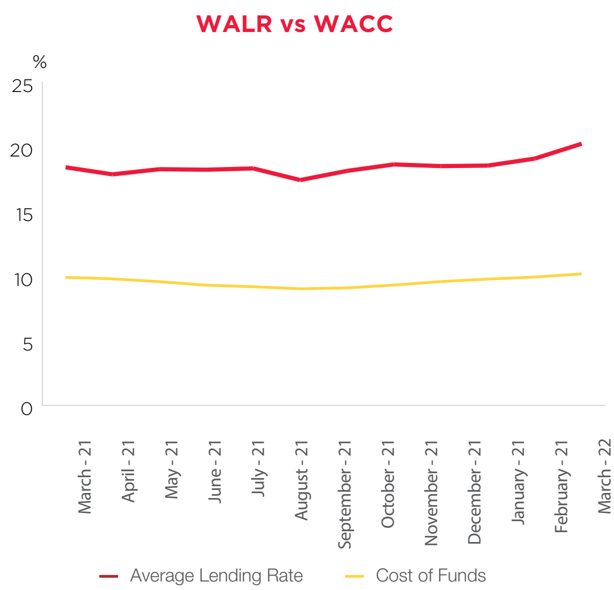
Excessive movements in market risk indicators could bring severe volatility to the Company's net interest income and net interest margin. Therefore, Orient Finance PLC focuses on maintaining an adequate Net Interest Margin so that increases in interest expenses can be absorbed to a certain extent.

This risk is reviewed periodically by ALCO and Integrated Risk Management Committee.

INTEREST RATE RISK

Interest rate risk is the potential negative impact on the net interest income based on rate fluctuations and impact to the profitability of the Company. The movements in interest rates expose to fluctuations in Net Interest Income (NII) and have the potential to impact the underlying value of interest earning assets and interest-bearing liabilities and off-balance sheet items.

The main types of IRR to which the Company is exposed to are repricing risk, yield curve risk and basis risk. The Company does not have variable interest rates and all facilities granted are on fixed interest rates. The global outbreak of COVID-19 pandemic has resulted in consecutive reductions in policy rates and monetary easing policies by the Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.



The cost of funds of Orient Finance PLC as at 31st March 2022 is on a favourable level which is below the budgeted level of 11.68%. Cost of funds indicated a gradual increasing trend and from October 2021.

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE INTEREST RATE RISK

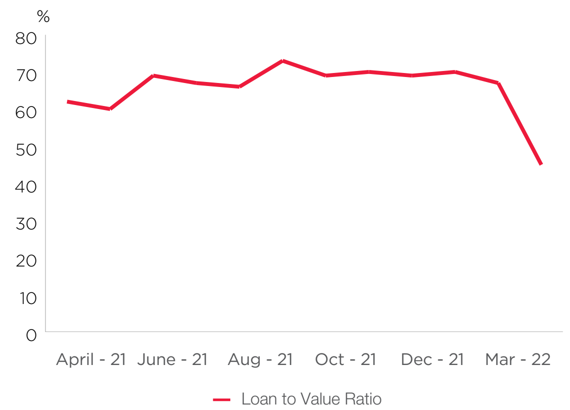
1. Closely monitoring the interest rate movements and issues directions to lending and borrowing units on interest rate strategies.
2. Conducting regular stress testing to assess interest rate sensitivity on company's asset and liability portfolios.

COMMODITY PRICE RISK

The potential risk of the volatility in world Gold prices. Frequent fluctuations in world Gold prices impacted earnings in Gold Loan operation.

Loan to value ratio of gold backed loans - new disbursements

Loan to value % of gold backed loans



* Sovereign Rate 6 months 22 K scheme was considered for the Loan to Value ratio

During the year under review, the Company managed to maintain a prudent Loan to Value ratio on new disbursements by dynamically adjusting the advanced value.

OPERATIONAL RISK

Operational risk is the potential losses caused by flawed or ailed processes, policies, systems or events that disrupt business operations. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

Compliance with company standards is periodically reviewed by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management and the Board audit committee of the company.

Taking into consideration the nature, scope and scale of OFP's business, the following indicators are covered under Operational Risk.

1. Frauds, damages and misappropriation of assets:- The risk of misappropriation of assets by third parties and risk of damage to OFP's physical assets due to accidents, natural disasters, riots, terrorism, etc.
2. Internal control weaknesses identified at Branches and Administration Departments:- Internal control weaknesses highlighted during the the Internal audit investigations.
3. Effectiveness of responses for Customer Complaints.
4. Ongoing court cases and excessive legal charges:- Such contingent liabilities making significant losses to OFP.
5. Branch Performance analysis :- Considering NPL, cost to Income ratio, Collection and GP margin for the assessment of branch performance.

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE OPERATIONAL RISK:

1. Reviewing and updating internal manuals and process, conduct periodic and surprise branch audits, periodic monitoring & evaluations of internal controls.
2. Transferring insurable risk by obtaining insurance policies.
3. Installing access controls to identified high impact areas.
4. Staff training on technical aspects to comply with regulatory requirements.
5. Assessing the adequacy and effectiveness of the insurance coverage periodically.
6. Conducting post completion audits after a successful implementation of system change/ modification.
7. Disaster Recovery (DR) planning and Business Continuity Planning (BCP).

COMPLIANCE RISK

Compliance Risk is defined as the potential threat to earnings or business resulting from violations or infringement of laws, regulations or stipulated practices and standards within the company, industry and Government. Failure to comply with laws and regulations could expose the Company to civil and/or criminal actions leading to damages, fines and regulatory sanctions and/ or its employees with possible consequences for its corporate reputation.

The Company has established a Risk and Compliance Division in order to oversee the compliance of the Company with Central Bank directions, Colombo Stock Exchange regulations and other related regulations. The committee disseminates the regulatory directives through internal communication to relevant staff members.

Our compliance with key prudential requirements is given below:

Key Prudential Requirements	Regulatory Requirement		Actual as at 31st March 2022	Status of Compliance
Provision against Total Advances	2.74%		5.74%	Complied
Liquid Assets	10% of Total time deposits and non-transferable certificate of deposits	LKR 890.76 Million	Rs. 1,053.57 Mn.	Complied
	15% of savings deposits	LKR 8.11 Million		
	10% of the stipulated borrowings	LKR 16.99 Million		
	Required Minimum Amount of Liquid Assets	LKR 915.86 Million		
	Required minimum amount of approved securities should be maintained at the minimum of 7.5% of average month end total deposits and borrowings in the previous financial year.	LKR 658.88 Million	Rs. 660.00 Mn.	Complied
Single Borrower Limit				
To a single customer	Aggregate of accommodation granted to a single customer should not be more than 15% of capital funds of LFC's as of the last audited financial statements		The largest facility outstanding - Rs. 59.62 Mn.	Complied
	As per the last audited financial statement of the Company, maximum amount shall be Rs. 411.87 Mn.			
Capital Adequacy Ratio				
Core Capital Ratio	More than or equal to 7.00%		14.38%	Complied
Total Capital Adequacy Ratio	More than or equal to 11.00%		15.38%	Complied
Capital Funds (LKR)	Rs. 2.5 Bn.		Rs. 3.2 Bn.	Complied
	Capital Funds shall be more than 10% of total deposit liabilities			Complied
	As at 31st March 2022, 10% of total deposit liability was Rs. 920.43 Mn			

Key Prudential Requirements	Regulatory Requirement	Actual as at 31st March 2022	Status of Compliance
Contribution to the Deposit Insurance Scheme	Finance Business Act Direction No.02 of 2021	All the payments to Sri Lanka Deposit Insurance Scheme have been transferred within the given time period.	Complied
Submission of Periodical returns to CBSL	Finance Business Act No. 42 of 2011 and Directions thereto	All Periodical Returns due for the period under consideration have been submitted within the given time period.	Complied
Finance Transactions Reporting			
Customer Name Screening	Financial Transactions Reporting Act No. 6 of 2006	World Check Name Screening has been enabled	Complied
Submission of EFTIN and EFTOUT reports			
Submission of Cash Transaction Report (CTR) to the FIU on all cash transactions which exceed Rs. 1 Mn.		All the CTR reports due for the period under consideration have been submitted within the given time period.	

MITIGATION ACTIONS:

In order to mitigate and manage the Compliance Risk, we have established relevant Compliance Policies and Processes. The Annual Compliance Programme outlines the systematic approach to compliance within the organisation.

- Periodic review of applicable regulatory requirements by the management.
- Developing and adapting strategies on a continuous basis to meet the situation.
- Engaging with the regulator on a frequent basis with regard to issues faced

DEPOSIT RISK

Deposit risk is the threat of probable cash outflows from a financial institution that is caused by changes in depositors' behaviour. It could consists of early withdrawal (depositor withdraws his or her deposit from an account before the agreed-upon maturity date) and rollover risk (depositor refuses to roll over his or her matured time deposit) and run risk.

Due to the prevailing adverse economic and market conditions, increasing the FD portfolio will prove to be challenging in the near future.

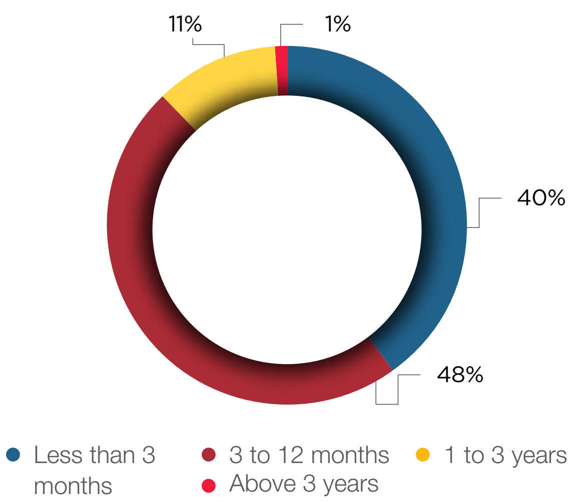
RISK MANAGEMENT

DEPOSIT BASE

* Overall, the FD base has increased by 5.9% during the financial year, amounting Rs. 9.20 Bn. as at 31st March 2022.

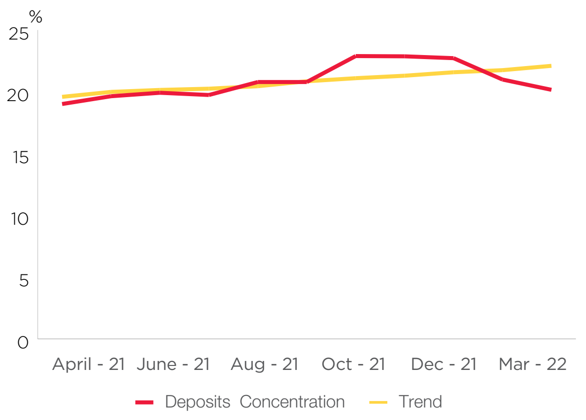
* The total number of fixed depositors as at 31st March 2021 was 1,558. The number of FD holders increased to 2,461 during the year. The increase in the number of depositors and the increase in the deposit base indicate an increase in the concentration in the deposit base.

FD Maturity Profile



As per the FD maturity profile, 87.57% of the FD base reaches the maturity period within 12 months.

Concentration trend of the top 20 customers



Concentration level of the top 20 depositors as at 31st March 2022 has slightly increased to 19% from 20% during the financial year with an increasing trend.

Risk Mitigation Actions

1. FD marketing campaigns
2. Increased focus on branch FD mobilisation
3. Diversifying the deposit base and attract smaller deposits to provide a more stable deposit base.

CAPITAL MANAGEMENT

The company manages its capital base to comply with regulatory capital requirements and to maintain a solid fund base.

In the year under review, our Capital Adequacy levels further strengthened owing to early action taken by the Company to comply with the capital adequacy directive for NBFI's issued by the CBSL in June 2018. As per the revised CBSL directive, NBFI's with an asset base less than Rs. 100 Billion are required to ensure Tier I capital of 8.50% and total capital adequacy of 12.50% by end June 2022.

Ratio (%)	01/07/ 2018	01/07/ 2019	01/07/ 2020	01/07/ 2021
Tier I	6%	6.50%	7.00%	8.50%
Total Capital	10%	10.50%	11.00%	12.50%

The company's Capital Adequacy Ratios as at 31st March 2022 were 14.38 % (2021 - 9.71%) and 15.38%(2021 - 11.13%) for Tier I Capital Ratio and Total Capital Adequacy Ratio, respectively.

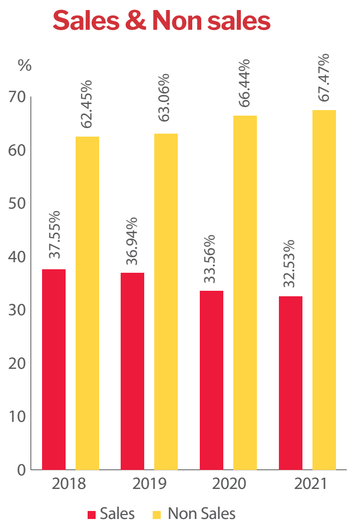
Category	As at 31.03.2022	As at 31.03.2021
Tier I Capital (Rs. Million)	1,971.3	1,399.5
Total Capital (Rs. Million)	2,107.1	1,603.9
Total Risk Weighted Assets (Rs. Million)	13,704.6	14,410.1
Core Capital Ratio As at 31.03.2022 (Minimum 7.00 %) As at 31.03.2021 (Minimum 6.50 %)	14.38%	9.71%
Total Capital Adequacy Ratio As at 31.03.2022 (Minimum 11.00 %) As at 31.03.2021 (Minimum 10.50 %)	15.38%	11.13%

CBSL has set minimum capital requirements for the finance companies as discussed below:

Tier I Capital Ratio, which includes stated capital, perpetual bonds (which are classified as innovative tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;

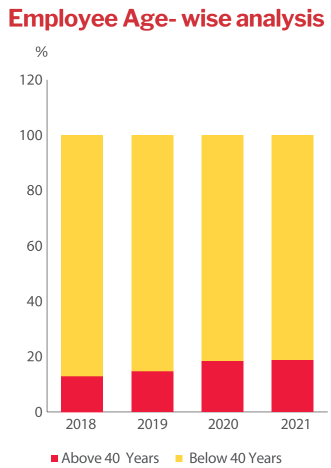
and

Total Capital Ratio, which includes qualifying subordinated liabilities, collective impairment allowances (limited to those credit portfolios where the standardised approach is used under Basel II) and the element of the fair value reserve relating to unrealised gains/losses on equity instruments measured at fair value through other comprehensive income.



HUMAN RESOURCE RISK

Being a service-oriented company, its main processes revolve around people. Therefore, people become the most important and the most valuable asset of the Company. The Company's ability to attract, develop and retain the right number of appropriately skilled people is critical if we are to compete and grow effectively.



*** Achievement of "Great Place to Work" Certification**

Great Place to Work is the global authority on workplace culture, employee experience and the leadership behaviors proven to deliver market-leading revenue and increased innovation. Achievement of "Great Place to Work" Certification facilitates companies around the world to survey their employees, benchmark their results, identify gaps and improve their workplace culture.

As the sales industry moves towards a technology-based platform rather than face-to-face sales meetings, it is essential to the success of sales teams that the sales leader has a solid understanding of the many non-sales related technical skills. Active listening, product knowledge (FD, Leasing, Loans, Factoring, etc), leadership skills, marketing and industry insight, communication skill, technology expertise and reporting skills are the essential competencies expected from sales teams.

Failure to employ suitable personnel for relevant tasks, lack of proper performance recognition mechanisms and losses arising from misconduct of employees mainly give rise to people risk. Therefore, the Company ensures that adequate processes are in place to understand and respond to employee needs.

The staff recognition and rewarding are done through the annual performance appraisals. Further the Company ensures adherence to minimum qualification based on the positions filled, pre-employment screening, employer feedback and exit interviews as mitigating activities of people's risk.

Improving competencies and skills are recognised as another vital factor in managing human capital risk. The Company achieves this through targeted, business focused training and development programmes available to all employees across the Company, on a needs basis.

REPUTATIONAL RISK

Reputational Risk is the potential damage to the Company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Company or its actions. Reputational risk could arise from the failure of the Company to effectively mitigate the risks in its businesses including credit, liquidity, market, regulatory, or other operational risks. Damage to the Company's goodwill could cause existing clients to reduce or cease to do business with the company and prospective clients to be reluctant to do business with the Company.

Actions Taken by the Company to Manage the Reputational Risk

1. Implementation of good governance practices.
2. Implementation of the efficient process for resolving customer complaints.
3. Training employees on work place professionalism, behaviour and educate them on business ethics.
4. Focusing on efficient and timely communication among all stakeholders.

TECHNOLOGY RISK

Technological Risk arises due to increasing complexity of cyber- attacks, obsolescence, unexpected break down of ICT systems and loss of sensitive and valuable information. These possibilities can have an adverse impact on the financial position and lead to Operational Risk to the Company. The Company's ICT risk raises with the increase of dependency on automated systems and processes.

The Company has identified information as a vital business resource and a key asset to the organisational sustainability. Head of Information Communication Technology and the ICT team monitors and controls the integrity of the ICT infrastructure and data.

Actions Taken by the Company to Manage the Technology Risk

1. Special attention has been given for the risk related to the possibility of cyber attacks.
2. Business continuity plans has been established recognising the threats and risks that the Company faces.

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BOARD SUB COMMITTEE REPORTS

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of the Company has established the Integrated Risk Management Committee (IRMC), conforming to the CBSL Direction No. 3 of 2008 on Corporate Governance, to assess and oversee the management of all risks within the Company. The ultimate responsibility for managing the risks of the Company remains with the Board of Directors. Reporting to the Board, the IRMC acts within the scope provided in the IRMC Charter, which has been approved by the Board. The function of the IRMC is primarily one of oversight. Working closely with the top management, the IRMC assess all risks faced by the Company and makes recommendations for changes to improve the controls and risk management.

COMPOSITION OF THE COMMITTEE

The Integrated Risk Management Committee comprised the following members:

Board Members

- **Mr. Anil Tittawella*** - Chairman - Non-Independent Non-Executive Director
- **Ms. Indrani Goonesekera** - Independent Non-Executive Director
- **Mr. Ramesh Schafter**** - Non-Independent Non-Executive Director
- **Mr. Darshana Ratnayake** - Independent Non-Executive Director

Management Members

- **Mr. K.M.M. Jabir** – Executive Director/Chief Executive Officer
- **Mrs. Gayani Godellawatta**
- **Mr. Sanjeeva Jayasinghe**

* Demise on or about 26th February 2022

** Retired as a Director w.e.f. 6th September 2021

CHARTER OF THE COMMITTEE

The Board Integrated Risk Management Committee was established by the Board of Directors in compliance with Direction No. 3 of 2008 on "Corporate Governance for Finance Companies" issued by the Monetary Board of the Central Bank of Sri Lanka, issued under the Finance Business Act No. 78 of 1988. The composition and the scope of work of the Committee is in conformity with provisions of the said Direction. The IRMC Charter sets out the membership, sources of authority, duties and the responsibilities of the Committee.

The Charter of the IRMC has been approved by the Board of Directors and is subject to annual review.

COMMITTEE METHODOLOGY

The IRMC assists the Board of Directors in its oversight function in relation to the different risk types. Working closely with the Key Management Personnel, the Committee assessed all types of risks that the Company is exposed to, including credit, liquidity, market and operational etc. through different risk indicators and management information and assessed the adequacy of risk management procedures in place.

ACTIVITIES OF THE COMMITTEE

The Board approved IRMC Charter indicates the scope, methodology, structure and authority for the activities of the IRMC. Accordingly, the primary responsibilities of the IRMC include:

- Oversight and review of the implementation of risk management as well as compliance procedures and internal control systems.
- Assess all key risks the Company is exposed to, on a monthly basis through appropriate risk indicators and management information, along with a detailed risk assessment on a quarterly basis.
- Take prompt corrective action to mitigate the effects of specific risks. In the event such risks are at levels beyond prudent levels decided by the Committee, it was required to address those risks and manage them within specific quantitative and qualitative risk parameters decided by the Committee and the Board.
- Review the sufficiency of personnel, systems, procedures and other issues impacting the risk profile of the Company.
- Monitor changes anticipated in the economic and business environment, including emerging trends, organisational and regulatory changes as well as other factors considered relevant to the operating environment of the organisation and its risk profile.
- Review and approve company's Disaster Recovery and Business Continuity Plan.
- Review the adequacy and effectiveness of all management level committees including the Credit Committee and the Assets and Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk parameters specified by the Committee.

- Review the compliance related reports submitted periodically (quarterly) by the Risk and Compliance Department.
- Take appropriate action against the officers responsible for failure to identify specific risks and take prompt corrective action as recommended by the DSNBFI of the Central Bank of Sri Lanka.

In addition, the Committee may perform such other functions as are necessary or appropriate for the discharge of its duties and responsibilities.

ACTIVITIES OF THE IRMC IN FY 2021/22

- Reviewed the asset quality covering non-performing advances, product-wise credit quality, provision coverage and compared against industry and peers.
- Reviewed the impact on net interest income due to macro-economic conditions and changes to the economic environment.
- Reviewed the liquidity management strategies of the Company.
- Assessed the Company's compliance with laws, regulations and regulatory guidelines and internal policies in all areas of business operations.
- Reviewed the internal controls relating to the Company's operations and made appropriate changes to the systems and controls.
- Reviewed the operational efficiencies that impacted the strategic objectives of the Company.
- Assessed the business lines and their impact on the organisation's operational effectiveness.
- Reviewed the effectiveness of the strategies in place to minimise maturity mismatches.
- Reviewed the top HR related risks faced by the Company and assessed the effectiveness and sufficiency of mitigation actions initiated.
- Reviewed the Statutory Examination Report of the Dept. of Supervision of Non-Bank Financial Institutions of CBSL and reviewed and recommended action to respond to the observations raised therein within the agreed timelines.

In relation to the above activities, the Committee proposed modifications to internal control systems and processes for implementation by the Management.

COMMITTEE MEETINGS

The Committee held three (03) Meetings during the year under review to discuss and make recommendations relating to risk exposure of the Company. The attendance of the Members is given in page 78 of the Annual Report. The Minutes of the IRMC Meetings and its recommendations were forwarded to the Board after each meeting.

On behalf of the Board Integrated Risk Management Committee,

Ms. Indrani Goonesekera -
Member
Integrated Risk Management Committee

24th June 2022

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Human Resources and Remuneration Committee had been formed by the Board, conforming to the provisions of the Listing Rules of the Colombo Stock Exchange on Corporate Governance for a Listed Entity and the best practice on Corporate Governance.

COMPOSITION

The Human Resources and Remuneration Committee comprised 03 Non-Executive Directors as set out below:

Ms. Indrani Goonesekera -
Chairperson (Independent Non-Executive Director)

Mr. Prakash Schaffter -
(Non-Independent Non-Executive Director)

Mr. Anil Tittawella -
(Non Independent Non-Executive Director)
(stepped down w.e.f. 28.09.2021)

Mr. Darshana Ratnayake -
(Independent Non-Executive Director)
(appointed w.e.f. 28.09.2021)

The Company Secretaries function as the Secretary to the Committee.

TERMS OF REFERENCE

The Human Resources & Remuneration Committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration is structured at Orient Finance PLC to align reward with corporate and individual performance. The Committee is authorised to look into matters within its scope and make recommendations to the Board enabling the Board to take relevant decisions on such matters.

FUNCTIONS

The Committee continues to uphold the principles of accountability and transparency and ensures that the HR & Remuneration Policy demonstrates a clear link between reward and performance.

The Committee is responsible for setting up the remuneration policy and determining the remuneration packages of the Key Management Personnel (KMP) including the Corporate Management and the Managerial Staff.

With the guidance and assistance of the CEO, the Committee reviews the remuneration structure periodically and evaluates it against industry norms to warrant fairness and internal & external equity.

REMUNERATION POLICY

The reward strategies and remuneration structure of the Company is designed to attract, motivate and retain suitably skilled and qualified staff, at all levels of the organisational hierarchy, in a highly competitive environment. Accordingly, a key feature of the remuneration policy is to pay for performance. A primary objective of the remuneration policy of the Company is to attract and retain qualified and experienced workforce and reward their performance commensurate with each individual's commitment towards the organisation.

The policy is designed to recognise and reward individual contributions based on its impact on the performance of the company and to generate human capital with the right mix of experience, skills and knowledge to route the business strategy.

COMMITTEE MEETINGS

The Committee meets as often as necessary to make recommendations on compensation structures, incentives, bonuses, increments and promotions of staff and in instances where the Board refers specific matters to be reviewed by the Committee.

The Committee held 05 meetings during the year under review.

The Committee met to assess the performance of the staff including the Corporate Management level Officers vis-à-vis the given targets, for the year ended 31st March 2021, approve salary increments/ salary revisions and Management level promotions. The Committee also met to consider and recommend a performance based bonus payment to the staff for that year. The Committee was called to consider the qualifications, experience and suitability of persons to fill a KMP position that fell vacant during the year and recommend the appointment to the Board. Further, the Committee met to consider and recommend the payment of an interim bonus to the staff for the year 2021/2022.

Attendance at the meetings is given on page 78 of the Annual Report.

The Chief Executive Officer (CEO) along with Senior Manager – Human Resources / other Officer as necessary was available by invitation, to assist in the deliberations of the Committee.

Minutes of the meetings of the Committee were properly documented and tabled at the Board meetings and recorded by the Board.

On behalf of the Board Human Resources and Remuneration Committee.

Ms. Indrani Goonesekera
Chairperson
Human Resources and Remuneration Committee

24th June 2022

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The board established the Related Party Transactions Review Committee conformity with the mandatory provisions of (Section 9) of the listing Rules of the Colombo Stock Exchange, for a listed entity. The Committee is responsible to review in advance all proposed Related Party Transactions (RPT's), which are not of an on-going nature other than those explicitly exempted under the rules. Where a related party transaction is on-going, the Committee established guidelines for the Senior Management to follow in dealing with related parties. The composition and the scope of the work of the Committee conform to the Board approved Charter.

COMPOSITION

The Committee comprised 03 Non-Executive Directors as given below:

Ms. Indrani Goonesekera –
Chairperson - Independent Non-Executive Director

Mr. Sriyan Cooray –
Member - Independent Non-Executive Director

Mr. Darshana Ratnayake -
Member - Independent Non-Executive Director

The Company Secretaries function as the Secretary to the Board Related Party Transactions Review Committee.

POLICY AND PROCEDURES

The Company subscribes to the policy that any transaction with a Related Party shall be at arm's length and shall not grant such related party more favorable treatment than what is extended to an unrelated third party in the normal course of business. Accordingly, the Company has adopted a procedure too, to identify and manage conflicting interests in transactions. This was with the view of structuring the Company's policies and procedures to uphold good governance. The Policy has been prepared in accordance with the Finance Companies (Corporate Governance) Direction No: 3 of 2008, issued by the Central Bank of Sri Lanka (CBSL Direction) and considering the Listing Rules of the Colombo Stock Exchange (CSE) Section 9 and the Code of Best Practice on Corporate Governance pertaining to RPTs.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders; adequate transparency is maintained and is in compliance with the company's policy and applicable laws, directions, rules and best practice.

ROLE

The primary role of the Committee is to provide an independent review, grant approval and have an oversight on Related Party Transactions of the Company.

The main responsibilities of the Committee include the following-

Develop and recommend policies and procedures to evaluate/review Related Party Transactions of the Company.

Review proposed Related Party Transactions of the Company, except those explicitly exempted by the Committee Charter and evaluate whether such transactions are at arm's length and in the best interest of the Company and all its stakeholders.

Update the Board of Directors on the Related Party Transactions of the Company.

Make disclosures on applicable Related Party Transactions, as required by the applicable regulations/rules.

COMMITTEE MEETINGS

The Committee met once in every calendar quarter and accordingly held four (04) meetings during the year under review. The Committee has reviewed the RPT's during the financial year which were mainly on-going transactions. The Committee also reviewed the performance of RPT's already granted prior to the year under review and those that existed. Where relevant the Committee's comments/ observations were communicated to the Board.

The proceedings of the Committee meetings which mainly included activities within the scope of the Committee Charter were regularly reported to the Board of Directors. The minutes of the Committee meetings were properly documented and were also tabled at the monthly Board meetings and recorded.

The attendance of Members at the Committee meetings is given on page 78 of the Annual Report.

Related party transactions list is disclosed on pages 166 to 167 of the Annual Report and under Note 38 of the financial statements

On behalf of the Board Related Party Transactions Review Committee,

Ms. Indrani Goonesekera
Chairperson
Related Party Transactions Review Committee

24th June 2022

BOARD AUDIT COMMITTEE REPORT

The Audit Committee appointed by the Board consist of three Non-Executive Directors . It is chaired by a Non independent Non-Executive Director who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

COMPOSITION OF THE COMMITTEE

The Audit Committee has been appointed by the Board of Directors of the company. As at 31st March 2022 it comprised of the following Directors:

Ms. Minette Perera – Chairperson of the Committee (Non-Independent, Non-Executive Director)

Mr. Sriyan Cooray - A member of the Committee (Independent, Non-Executive Director)

Mr. Darshana Ratnayake - A member of the Committee (Independent, Non-Executive Director)

The profiles of the members are given on pages 50 to 53 in this Annual Report.

The Head of Risk & Compliance functions as the Secretary to the Board Audit Committee.

TERMS OF REFERENCE OF THE COMMITTEE

Board appointed Audit Committee was established by the Board of Directors, in compliance with the Direction No. 3 of 2008, on “Corporate Governance for Finance Companies” issued by the Central Bank of Sri Lanka and the Rules on Corporate Governance as per section 7.10 of Listing Rules issued by the Colombo Stock Exchange. The composition and the scope of work of the Committee is in conformity with the provisions of the aforesaid Direction and the Listing Rules.

Terms of Reference is periodically reviewed and revised with the concurrence of the Board of Directors. This process ensures that new developments and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly.

COMMITTEE MEETINGS

The Committee held eight meetings during the year under review. Chief Internal Auditor, Head of Finance and AGM- Risk & Compliance attended the meetings by invitation. The Committee also invited members of the Senior Management of the Company to participate in the meetings from time to time based on necessity.

The proceedings of the Committee meetings which mainly included activities under its terms of reference were regularly reported to the Board of Directors. The minutes of the committee meetings were also tabled at the Board meetings enabling all Board members to have access to the same.

The attendance of members is listed on page 78 of the Annual Report.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The duties of the Committee shall be to assist the Board in overseeing the management conduct of the Company’s financial reporting process, monitoring the independence and performance of external auditors, monitoring internal controls & internal audit function and formulating policies and procedures of the Company.

FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the Company during the year with particular reference to the following;

- The preparation, presentation and adequacy of the disclosures in the Company’s annual and interim financial statements in accordance with the Sri Lanka Accounting Standards.
- The rationale and basis for the significant estimates and judgments underlying the financial statements.

INTERNAL AUDIT

The internal audit function is carried out by internal audit division and internal audit plan is reviewed and approved by the Audit Committee at the beginning of the year. Weaknesses in internal controls, finance and business operations highlighted in the internal audit reports were examined by the Committee and follow up actions taken by the management on the audit recommendations were also reviewed. The Committee reviewed the effectiveness of the internal audit function. The scope and procedures for internal audit during the ensuing year was also reviewed by the Committee.

EXTERNAL AUDIT

A special meeting was held with the external auditors before commencing the current year's audit to discuss and agree the scope of the audit and the audit plan. Prior to the release of the Audited Accounts, a meeting was held between the external Auditors and the Committee to discuss the progress and any audit concerns. Issues highlighted in the management letter of the previous year were also discussed with external auditors and corrective actions were recommended to the management for implementation.

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence and a policy on engagement of auditors for non-audit services is in place.

The fees payable to the auditors have been recommended by the Committee to the Board for approval.

The Audit Committee also recommended to the Board of Directors that Messrs. BDO Partners be reappointed as Auditors for the financial year ending 31st March 2023, subject to the approval of the shareholders at the Annual General Meeting.

On behalf of the Board Audit Committee

Ms. Minette Perera
Chairperson
Board AuditCommittee

24th June 2022

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FINANCIAL STATEMENT

INDEPENDENT ASSURANCE REPORT

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

Report of factual findings in accordance with the Corporate Governance direction issued by Central Bank of Sri Lanka

To The Board of Directors of Orient Finance PLC

We have performed the procedures agreed with you and enumerated in an annexure to this report, with respect to the Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL). Our engagement was undertaken in accordance with the principles set out in Sri Lanka Standards on Related Service 4400 (SLSRS 4400) applicable to agreed-upon procedure engagements. The procedures were performed solely to assist you to meet the compliance requirement of the Corporate Governance Direction.

We report our findings in the Annexure.

Because the above procedures do not constitute an audit or review made in accordance with Sri Lanka Auditing Standards, we do not express any assurance on the compliance with the direction of Corporate Governance issued by CBSL.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Sri Lanka Auditing Standards, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of Orient Finance PLC, taken as a whole.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo 02
24th June 2022
JD/cc

NOTE: The below mentioned numbering is used to coincide with the "section 2" of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008 and No. 6 of 2013 amendment issued by the Central Bank of Sri Lanka.

2		The Responsibilities of the Board	Findings
2(1)	a)	Check the board approval of the finance company's strategic objectives and corporate values. Check whether the finance company has communicated the finance company's strategic objectives and corporate values throughout the finance company.	Complied
	b)	Check the board approval of the overall business strategy of the finance company. Check that the overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented. Check that the overall business strategy contains measurable goals, for at least the next three years.	Complied
	c)	Check that the appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	Complied
	d)	Check that the board has approved and implemented a policy of communication with all stakeholders including depositors, creditors, share- holders and borrowers.	Complied
	e)	Check that the board has reviewed the adequacy and the integrity of the finance company's internal control systems and management information systems.	Complied
	f)	Check that the board has identified and designated key management personnel, as defined in the Sri Lanka Accounting Standards/ CBSL direction, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management.	Complied
	g)	Check that the board has defined the areas of authority and key responsibilities for the board directors themselves and for the key management personnel.	Complied
	h)	Check that the board has exercised appropriate oversight of the affairs of the finance company by key management personnel that is consistent with board policy.	Complied

2		The Responsibilities of the Board Findings	Findings
	i)	Check that the board has periodically assessed the effectiveness of the board directors' own governance practices, including: (i) the selection, nomination and election of directors and key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary.	Complied
	j)	Check that the board has a succession plan for key management personnel.	Complied
	k)	Check that the board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	Complied
	l)	Check that the board has taken measures and processes in place to understand the regulatory environment and that the finance company maintains a relationship with regulators.	Complied
	m)	Check that the board has a process in place for hiring and oversight of external auditors.	Complied
2(2)		Check that the board has appointed the Chairman and the Chief Executive Officer (CEO). Check that the functions and responsibilities of the Chairman and the CEO are in line with Paragraph 7 of the Corporate Governance Direction.	Complied
2(3)		Check that there are procedures determined and resolved by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense.	Complied

INDEPENDENT ASSURANCE REPORT

2(4)	Check that a director has abstained from voting and not be counted in quorum on any board resolution in relation to which he/she or any of his/her close relation or a concern in which a director has substantial interest, is interested.	Complied
2(5)	Check that the board has a formal schedule of matters specifically reserved to it for decisions.	Complied
2(6)	Check that the board has identified events where it is unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors and informed the Director of the Department of Supervision of Non- Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	N/A
2(7)	Check that the board publishes, in the finance company's Annual Report, an annual corporate governance report setting out the compliance with these Directions.	Complied
2(8)	Check that the board adopts a scheme of self-assessment to be undertaken by each director annually and maintains records of such assessments.	Complied

3	Meetings of the Board	Findings
3(1)	Check that the board has met regularly and held board meetings at least twelve times a financial year at approximately monthly intervals. Check whether consent of the board has been obtained through the circulation of written or electronic resolutions/papers.	Complied
3(2)	Check that the board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied
3(3)	Check that the board has given notice of at least 7 days for a regular board meeting to provide all directors an opportunity to attend. For all other board meetings, reasonable notice has been given.	Complied
3(4)	Check that the directors have met with the attendance requirements. (at least two- thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held). Participation at the directors' meetings through an alternate director, however, tobe acceptable as attendance.	Complied
3(5)	Check that the board has appointed a company secretary whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and carry out other functions specified in the statutes and other regulations.	Complied
3(6)	Check whether the Chairman has delegated the responsibility for preparing the Agenda for the Board Meeting. If so the company secretary shall be responsible for carrying out such function.	Complied
3(7)	Check whether there is a documented process in place for directors to have access to advice and services of the company secretary in relation to Board procedures on applicable laws, rules, directions and regulations.	Complied
3(8)	Check that the company secretary maintains the minutes of board meetings and prepares the minutes within a reasonable time and has a documented process for the minutes to be inspected by the directors.	Complied
3(9)	Check that the minutes of a board meeting contain or refer to the following: a) a summary of data and information used by the board in its deliberations. b) the matters considered by the board. c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence, including the names of the directors; d) the matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations; e) the understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and f) the decisions and board resolutions.	Complied

4	Composition of the Board	Findings
4(1)	Check that the board comprise of not less than 5 and not more than 13 directors.	Complied
4(2)	Check that the total period of service of a director other than a director who holds the position of CEO, or executive director does not exceed nine years. (The period of non-executive director shall be inclusive of total period of service, served upto the date of this direction).	Complied
4(3)	Check that the number of executive directors, including the CEO does not exceed one- half of the number of directors of the board.	Complied
4(4)	Check that the board has at least one fourth of independent non-executive directors of the total number of directors, Non-executive directors cannot be considered independent if he/she: a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company; b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited statement of financial position. c) has been employed by the finance company during the two year period immediately preceding the appointment as director; d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company. e) represents a shareholder, debtor, or such other similar stakeholder of the finance company; f) is an employee or a director has a shareholding of 10% or more of the paid up capital in a company or business organization: i. which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited statement of financial position of the finance company; or ii. in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10 % of the capital funds as shown in its last audited statement of financial position of the finance company; or iii. in which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited Statement of Financial Position of the finance company.	Complied
4(5)	Check whether the alternate director appointed to represent an independent non- executive director meets with the criteria for independent non-executive directors	N/A
4(6)	Ensure non-executive directors have necessary skills, qualifications and experience especially in banking, finance to bring an objective judgement to bear on issues of strategy, performance and resources.	Complied
4(7)	Check whether the required quorum had been present and at least 50% of the directors present at the meetings were non-executive directors.	Complied

BDO

4(8)	Check whether in all corporate communications where the names of the directors are disclosed, independent non-executive directors are expressly identified. Check whether the Annual Corporate Governance Report which is a part of the Annual Report has disclosed the composition of the board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors.	Complied
4(9)	Check the procedure for the appointment of new directors and orderly succession of appointments to the board.	Complied
4(10)	Check that all directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment.	Complied
4(11)	Check whether the board has announced to the shareholders and notified the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation or removal of directors giving the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the board.	Complied

5	Criteria to assess the fitness and propriety of directors	Findings
5(1)	Check that the age of a person who serves as director does not exceed 70 years.	N/A
5(2)	Check if a person holds office as a director of more than 20 companies/ societies/ body corporates inclusive of subsidiaries or associate companies of the finance company.	Complied

6	Management functions delegated by the board	Findings
6(1)	Check whether the functions delegated by the board ensure that it does not hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied
6(2)	Check that the board reviews the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied

7	The Chairman and CEO	Findings
7(1)	Check that the roles of chairman and CEO is separated and not performed by the same individual.	Complied
7(2)	Check that the chairman is a non-executive director. In the case where the chairman is not an independent non - executive director, check that the board designates an independent non- executive director as the senior director with suitably documented terms of reference. Check that the designation of the senior director be disclosed in the finance company's Annual Report.	Complied
7(3)	Check that the board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the CEO and relationships among members of the board.	Complied
7(4)	Check whether the board evaluation process covers the following; where the Chairman: a) provides leadership to the board; b) ensures that the board works effectively and discharges its responsibilities; and c) ensures that all key and appropriate issues are discussed by the board in a timely manner. (Should have been conducted at least annually).	Complied
7(5)	Check that a formal agenda is circulated by the company secretary approved by the chairman.	Complied

7(6)	Check that the agenda has adequate information in relation to the agenda items. Agenda papers are circulated to the directors 7 days prior to the meeting.	Complied
7(7)	Peruse at least three board minutes to ensure that the board members have adequately contributed to the decisions.	Complied
7(8)	Peruse at least three board minutes to ensure that the Chairman facilitates the contribution of non-executive directors and ensures constructive relationships between executive and non – executive directors.	Complied
7(9)	Peruse the organizational chart approved by the board and inquire from the key management personnel whether they are under the supervision of the Chairman.	Complied
7(10)	Check the process adopted by the Chairman of the Company to communicate with the shareholders and how the views of shareholders are communicated to the board.	Complied
7(11)	Peruse the organizational chart approved by the board to ensure that the CEO functions as the apex of the company.	Complied

8	Board appointed committees	Findings
8(1)	Check that the finance company has established an Audit Committee and an Integrated Risk Management Committee.	Complied
8(2)	Audit Committee:	
	a) Check that the chairman of the committee is a non-executive director and possesses qualifications and experience in accounting and/or audit.	Complied
	b) Check that all members of the committee are non-executive directors.	Complied
	c) Check that the committee has made recommendations on matters in connection with: i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii) the implementation of the Central Bank guidelines issued to auditors from time to time; iii) the application of accounting standards;	Complied
	d) Check whether the committee has established a policy in relation to the service period, audit fee and any resignation or dismissal of the auditor; This policy should address that the engagement partner does not exceed five years, and is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied
	e) Check that the committee has obtained representations from the external auditors on their independence and evaluated the effectiveness, and that the audit is carried out in accordance with SLAuS.	Complied
	f) Check that the committee has implemented a policy on the engagement of an external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services (in accordance with Sec 8 2(e) of the regulations).	Complied
	g) Check that the committee has discussed and finalized, the nature and scope of the audit, with the external auditors including: i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and iii) the co-ordination between auditors where more than one auditor is involved.	Complied

8		Board appointed committees	Findings
	h)	Check that the committee has reviewed the financial information of the finance company by perusing the minutes, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure. The following areas should have been addressed in the review by perusing the minutes; i) major judgmental areas; ii) any changes in accounting policies and practices; iii) the going concern assumption; iv) the compliance with relevant accounting standards and other legal requirements, and; v) in respect of the annual financial statements the significant adjustments arising from the audit.	Complied
	i)	Check that the committee has met the external auditors to discuss issues, problems and reservations arising from the interim and the final audit including matters which needs to be discussed in the absence of the executive management by perusing the minutes.	Complied
	j)	Check that the committee has reviewed the external auditor's management letter and the management's response thereto.	Complied
	k)	Check that the committee has taken the following steps with regard to the internal audit function of the finance company: i) Established the internal audit charter which covers the scope and functions of the internal audit department and satisfy itself that the department has the necessary authority to carry out its work. ii) Reviewed the resources of the internal audit department, and satisfy itself that the department has the necessary resources to carry out its work; iii) Reviewed the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department ; iv) Reviewed any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; v) Recommended the appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; vi) Checked that the committee has been informed of all resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers and has provided an opportunity for them to give the reasons for their resignations. vii) Examined the organization chart and terms of reference and ensure that the internal audit function is independent of the activities it audits. viii) Checked that a process has been documented which addresses that the audit work has been performed with impartiality, proficiency and due professional care.	Complied

	l)	Check the minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	Complied
8		**Board appointed committees**	**Findings**
	m)	Check that the committee has met the external auditors without the executive management at least once in six months.	Complied
	n)	Check that the audit committee has an approved terms of reference which includes; i) explicit authority to investigate into any matter; ii) the resources which it needs to do so; iii) full access to information; and iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied
	o)	Check that the committee has met regularly and maintained minutes.	Complied
	p)	Check that the annual report contains a report from the Audit Committee which includes the following, i) details of the duties and functions of the committee ii) details of the activities of the audit committee; iii) the number of audit committee meetings held in the year; and iv) details of attendance of each individual director at such meetings	Complied
	q)	Check that the secretary of the committee is the company secretary or the head of the internal audit function.	Complied
	r)	Check that the "whistle blower" policy covers the process of dealing with; i) The improprieties in financial reporting, internal control or other matters. ii) In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and iii) Appropriate follow-up action. iv) Protection of the whistle blower	Complied
8(3)	**Integrated Risk Management Committee (IRMC):**		
	a)	Check that the committee consists of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.	Complied
	b)	Check that the committee has a documented process to capture and assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a finance company basis and group basis.	Complied
	c)	Check that the committee has evaluated functions carried out by all management level committees such as the credit committee and the asset-liability committees, in relation addressing specific risks and managing these risks.	Complied

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	d)	Check that the committee has taken prompt actions in accordance with the policies on risks which have gone beyond the specified levels as decided by the committee.	Complied
	e)	Check the committee has met at least quarterly to assess all aspects of risk management by perusing the minutes.	Complied

8		Board appointed committees	Findings
	f)	Check that the committee has taken appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied
	g)	Check that the committee submits a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.	Complied
	h)	Check that the committee has established a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations and that there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.	Complied

9		Related party transactions	Findings
9(1)		The Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 shall be considered in addition to the following.	Complied
9(2)		Check that there is an established and documented process by the board to avoid any conflicts of interest that may arise from any transaction of the finance company with a related party as defined in the direction no 3 of 2008 paragraph 9.	Complied
9(3)		Check that there is a process to identify and report the following types of transactions been identified as transactions with related parties that is covered by this Direction.	
	a)	The grant of any type of accommodation, as defined in the Monetary board's Directions on maximum amount of accommodation.	Complied
	b)	The creation of any liabilities of the finance company in the form of deposits, borrowings and investments.	Complied
	c)	The provision of any services of a financial or non-financial nature provided to the finance company or received from the finance company.	Complied
	d)	The creation or maintenance of reporting lines and information flows between the finance company and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	Complied
9(4)		Does the board have a process to ensure that the finance company does not engage in transactions with related parties as defined in Direction 9(2) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the finance company carrying on the same business.	
	a)	Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the finance company's regulatory capital, as determined by the board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of 5 years or more.	Complied
	b)	Charging of a lower rate of interest than the finance company's best lending rate or paying more than the finance company's deposit rate for a comparable transaction with an unrelated comparable counterparty.	Complied

	c)	Providing of preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties;	Complied
	d)	Providing services to or receiving services from a related-party without an evaluation procedure;	Complied
	e)	Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	Complied
10		**Disclosures**	**Findings**
10(1)	Check that the board has disclosed:		Complied
	a)	Annual audited financial statements and periodical financial statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards,	
	b)	that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.	
10(2)	Check that the board has made the following minimum disclosures in the Annual Report:		Complied
	a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied
	b)	The report by the board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied
	c)	Details of directors, including names, transactions with the finance company.	Complied
	d)	Fees and remuneration paid to directors in aggregate.	Complied
	e)	Total net accommodation as defined in paragraph 9(4) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the finance company's capital funds.	Complied
	f)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied
	g)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances	Complied
	h)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, rules and Directions that have been communicated by the Director of the Department of supervision of Non – Bank Financial Institutions, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Complied
		i) A statement indicating that the board has obtained a factual findings report on the compliance with the corporate governance direction.	Complied
11	Check that the board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 10 (2) (b) above.		Complied

DIRECTORS' REPORT ON THE INTERNAL CONTROL SYSTEM

RESPONSIBILITY

In line with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, section 10(2) (b) and (c), the Board of Directors present this report on the internal control system of Orient Finance PLC.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Orient Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting.

The Internal audit function is doing an Internal audit Department and they review the Company's compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis. The annual audit plan is reviewed and approved by the Board Audit Committee. Major findings of the internal audit are submitted to the Audit Committee for review at their periodic meetings.

In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. These in turn are being observed and checked by the internal auditors of the Company for suitability of design and effectiveness on an on-going basis.

CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

EXTERNAL AUDITORS CERTIFICATION

The External Auditors have submitted a certification on the process adapted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.

By order of the Board;

Mr. Rajendra Theagarajah
Chairman

24th June 2022

Mr. Prakash Shaffter
Non-Executive Director

24th June 2022

Ms. Minette Perera
Chairperson – Audit Committee

24th June 2022

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors have pleasure in presenting the Annual Report together with the audited financial statements of the Company for the financial year ended 31st March 2022. The details contained in this Report provide the relevant information as required by the Companies Act No.7 of 2007 and Finance Companies (Corporate Governance) Direction No. 3 of 2008.

PRINCIPAL ACTIVITIES

Orient Finance PLC is a Licensed Finance Company registered in terms of the Finance Business Act No.42 of 2011. Principal activities of the Company are acceptance of Fixed Deposits, maintenance of Savings Accounts, granting Lease facilities, Vehicle Loans, Debt Factoring, Gold Loans and other credit facilities.

REVIEW OF OPERATIONS

A review of the operations of Orient Finance PLC during the financial year 2021/22 is contained in the Chairman's Message, CEO's Review and Management Discussion and Analysis (pages 12, 14 and 32 to 46). These reports form an integral part of this Annual Report.

STATED CAPITAL

The Company's Stated Capital stood at Rs.2,431,879,039 at 31st March 2022.

RESERVES

The Company's retained earnings and other reserves as at 31st March 2022 amounting to Rs. 900,000,296. Movements of reserves and the break up are given in Statement of Changes in Equity on page 125.

SHAREHOLDING AND SHARE INFORMATION

The Company had 796 registered ordinary shareholders as at 31st March 2022. The distribution of shareholding and major shareholders are given on pages 181 to 182.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message (pages 12 to 13), the Chief Executive Officer's Review (pages 13 to 16), and Management Discussion and Analysis (pages 32 to 46).

FINANCIAL STATEMENTS

The Audited Financial Statements of the Company for the year ended 31st March 2022 have been prepared in line with applicable accounting standards and regulatory and statutory requirements, inclusive of specific disclosures. The said Audited Financial Statements duly signed by the Chairman and another Director of the Company, are given on pages 118 to 176 and forms an integral part of the Annual Report of the Board.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Company in the preparation of the Financial Statements and the impact of changes in the Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards made during the year, are given on pages 127 to 143.

INCOME, PROFIT & APPROPRIATIONS

Provided below is a summary of the financial results of the Company's operations during the year ended 31st March 2022.

	2022 (Rs. Mn)	2021 (Rs. Mn)
Income	**2,972.20**	2,675.72
Profit /(Loss) Before Taxation	**452.99**	193.56
Less: Income Tax (Expense)/ Reversal	**-**	-
Profit /(Loss) for the year	**452.99**	193.56
Balance brought forward from the previous year	**(16.50)**	(173.87)
Less: Net impact on Adoption of SLFRS 09		
Profit for the period of 2021/2022	**452.99**	193.56
Transferred to Statutory Reserve Fund	**(45.29)**	(19.35)
Dividend Paid	**-**	
Transfer from Other Comprehensive Income	**(8.04)**	(16.84)
Write off of share premium generated through share conversion		
Balance carried forward	**383.14**	(16.50)
Proposed Dividend	**-**	-

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

EVENTS AFTER BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustment to or disclosure in the accounts, except those disclosed under Note 42 to the financial statements.

DIVIDENDS

The Board of Directors does not recommend a dividend to the shareholders for the financial year ended 31st March 2022.

CORPORATE DONATIONS

During the year under review, the Company has made donations amounting to Rs. 4,943,385.83 (2021 – Rs. 320,000.00).

TAXATION

The Company is liable for income tax at the rate of 28%.

STATUTORY PAYMENTS

The Board of Directors confirm that to the best of their knowledge and belief, statutory payments to all relevant regulatory and statutory authorities have been paid by the Company.

PROPERTY, PLANT & EQUIPMENT

The details of property, plant and equipment of the Company are given under Note 25 of this Annual Report.

OUTSTANDING LITIGATION

In the opinion of the Directors and the Company's lawyers, there is no pending litigation against the Company as at 31st March 2022.

GOING CONCERN

In determining the basis of preparing the financial statements for the year ended 31st March, 2022, based on available information, the management has assessed the existing and anticipated effects of COVID – 19 on the company and the appropriateness of the use of the going concern basis. As at reporting date, the company evaluated the resilience of its business considering a wide range of factors under multiple scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing service to ensure business continue as least impacted as possible.

Having presented the outlook for the company's business to the Board of Directors and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining significant management judgments, estimates and assumptions the impact of the COVID -19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

THE BOARD OF DIRECTORS

The Board assumes overall responsibility to the shareholders for setting the direction of the Company through the establishment of policies and key strategic objectives and ensuring that their implementation is in line with the Company's vision and values. The Directors are accountable for proper guidance of the Company's affairs and share collective responsibility in ensuring the highest standards of ethics and integrity in the conduct of business of the Company. The Board also bears ultimate responsibility for maintaining the integrity of financial information and the effectiveness of the Company's systems of internal control and risk management.

The Board has also appointed Board sub-committees, namely Audit Committee, Integrated Risk Management Committee, Remuneration Committee, Related Party Transaction Review Committee, Nomination Committee and Credit Committee to ensure oversight, control over certain affairs of the Company conforming to corporate governance standards of the Central Bank of Sri Lanka by adopting the best practices.

It is considered the view of the Board that the Company has taken necessary precautions to safeguard the interests of its stakeholders.

The following were the Directors of the Company during the year

Mr. Anil Tittawella	Chairman Non-Independent, Non-Executive Director Demise on or about 26th February 2022
Mr. Prakash Schaffter	Non-Independent, Non-Executive Director
Ms. Minette. D.A. Perera	Non-Independent - Non-Executive Director
Ms. Indrani Goonesekera	Independent - Non-Executive Director
Mr. Sriyan Cooray	Independent - Non-Executive Director
Mr. Darshana Joseph Ratnayake	Independent - Non-Executive Director
Mr. K.M.M. Jabir	Executive Director
Mr. Nalin Karunaratne	Independent Non-Executive Director

The profiles of the Directors are given in pages 50 to 53 of the Annual Report.

INTEREST REGISTER

In terms of the Companies Act No.7 of 2007, an Interests Register is maintained by the Company. All the Directors have made general declarations as provided for in section 192(2) of the Companies Act No. 7 of 2007.

DIRECTORS' REMUNERATION

Directors' fees and emoluments paid during the year are given in Note 11 to the Financial Statements.

DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Name of the Director	No. of Shares
Mr. Anil Tittawella	Nil
Mr. Prakash Schaffter	10
Ms. Minette. D. A. Perera	Nil
Ms. Indrani Goonesekara	Nil
Mr. Sriyan Cooray	Nil
Mr. Darshana Joseph Ratnayake	Nil
Mr. K.M.M. Jabir	Nil
Mr. Nalin Karunaratne	Nil

DIRECTORS' INTEREST IN DEBENTURES OF THE COMPANY

There were no debentures registered in the name of any Director as at 31st March 2022.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards and Sri Lanka Financial Reporting standards and Companies Act No. 7 of 2007. The statement of Directors' Responsibilities given on page 117 forms an integral part of the Annual Report of the Board of Directors.

RELATED PARTY TRANSACTIONS

With regard to Related Party Transactions, the Directors have, as a Licensed Finance Company and as a Listed Entity, complied with the directions issued by the Central Bank of Sri Lanka and the Listing Rules (Section 9) of the Colombo Stock Exchange as applicable.

The Directors have disclosed the transactions, if any, that could be classified as related party transactions in terms of Sri Lanka Accounting Standard 24, Related Party Disclosures, which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 42 to the financial statements forming part of the Annual Report of the Board.

ENVIRONMENT

The Company has used its best endeavors to comply with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

CORPORATE GOVERNANCE

In the management of the Company, the Directors have placed emphasis in conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced / improved from time to time to enhance risk management measures and to improve accountability, transparency and financial discipline.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

COMPLIANCE WITH LAWS AND REGULATIONS

Orient Finance has at all times ensured that it complied with the applicable laws and regulations. The respective divisional heads responsible for compliance, table a report on compliance at monthly meeting of the Board of Directors.

RISK AND INTERNAL CONTROLS

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by Orient Finance PLC and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines.

HUMAN RESOURCES

The Company continued to implement appropriate Human Resource Management Policies to develop employees and optimise their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees which has resulted in high motivation.

The number of employees as at 31st March 2022 was 495 (31st March 2021 – 441)

AUDITORS

The Company's Auditors during the period under review were, M/s BDO Partners, (Chartered Accountants). The Board has authorised the payment of Rs. 1,783,694 as Audit Fees for the year 2021/22. (The Auditors were paid Rs. 1,394,650 as Audit Fees for the year 2020/21).

The retiring Auditors, M/s BDO Partners, have expressed their willingness to continue in office for the financial year 2022/23. A resolution to re-appoint, M/s BDO Partners, (Chartered Accountants), and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held 29th July 2022.

ANNUAL GENERAL MEETING

The Annual General Meeting to be held on 29th July 2022. The notice of the meeting relating to the thirty nine Annual General Meeting is given on page 188.

ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

The Board of Directors does hereby acknowledge the contents of this Annual Report as per the requirements of the Companies Act No. 07 of 2007.

This Annual Report is signed for and on behalf of the Board of Directors by:

Mr. Rajendra Theagarajah
Chairman

24th June 2022

Mr. P. A. Schaffter
Director

24th June 2022

KHL Corporate Services Limited
Company Secretaries

24th June 2022

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company are responsible for the preparation and presentation of the Company's Financial Statements to the shareholders in accordance with the relevant provisions of the Companies Act No.07 of 2007 and other statutes which are applicable in the preparation of financial statements. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Auditors' Report in pages 118 to 121 of the Annual Report.

The Financial Statements comprise of:

- Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at 31st March 2022; and
- Statement of Comprehensive Income, which presents a true and fair view of the profit and loss of the Company for the year ended 31st March 2022.

In preparing the financial statements of the Company for the year ended 31st March 2022, the Directors confirm that appropriate accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.

The Directors are of the view that the Company has adequate resources to continue in business for the foreseeable future and have applied the going concern basis in the preparation of these financial statements.

The Directors have also taken such reasonable steps to safeguard the assets of the Company to prevent and detect frauds and other irregularities. In this context, the Directors have given due consideration to the establishment of appropriate internal control systems.

The Directors are responsible to ensure that the Company maintains sufficient accounting records enabling to disclose, with reasonable accuracy, the financial position of the entity and also to be able to ensure that the Financial Statements of the Company meet with the requirements of the Companies Act, Directions issued by the Central Bank of Sri Lanka and generally accepted accounting policies and principles.

The Directors have provided the external auditors with every opportunity to carry out any reviews and tests which they consider appropriate and necessary for the performance of their responsibilities.

The Directors also confirm to the best of their knowledge that all taxes, levies and financial obligations of the Company have been either paid or adequately provided for in the Financial Statements.

The Directors are of the view that they have discharged their responsibilities as stated in this statement.

Janashakthi Corporate Services Limited
Secretaries

24th June 2022

INDEPENDENT AUDITOR'S REPORT

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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

TO THE SHAREHOLDERS OF ORIENT FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orient Finance PLC ("the company"), which comprise the statement of financial position as at 31st March 2022, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 127 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31st March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter 1: Impairment of loans and receivables

The company's gross loans and receivables amount to Rs. 15.06 billion as at 31st March 2022 (2021: Rs. 12.49 billion) and impairment allowance for the year amounts to Rs. 936 million at 31st March 2022 (2021: Rs. 1,042 million).

The company measures the impairment of loans and receivables using expected credit loss ("ECL") model as per SLFRS 9: Financial Instruments ("SLFRS 9"). The application of this standard requires management to exercise significant judgments in the determination of expected credit losses, including those relating to loans and receivables. Management applies significant judgment in the determination of estimated future cash flows, probabilities of default and forward-looking economic expectations.

Due to the significance of loans and receivables and the significant estimates and judgment involved, the impairment of these loans and receivables was considered to be a key audit matter.

The impairment provision is considered separately on an individual and collective impairment basis.

In calculating the impairment provision on a collective basis, statistical models are used. The following inputs to these models require significant management judgment:

- the probability of default (PD);
- the exposure at default (EAD);
- the loss given default (LGD); and
- the effective interest rates.

In assessing loans and receivables on an individual basis, significant judgments, estimates and assumptions have been made by management to:

- Determine if the loan or advance is credit impaired;
- Evaluate the adequacy and recoverability of collateral;

- Determine the expected cash flows to be collected; and
- Estimate the timing of the future cash flows.

Key areas of significant judgments, estimates and assumptions used by management related to the impact of prevailing macroeconomic conditions and COVID-19 in the assessment of the impairment allowance included the following:

- The probable impacts of prevailing macroeconomic conditions and COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the company);
- the determination on whether or not customer contracts have been substantially modified due to such COVID–19 related stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances;
- Forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impact from prevailing macroeconomic conditions and COVID-19 that may affect future expected credit losses.

The disclosures associated with impairment of loans and receivables are set out in the financial statements in the following notes:

- Note 9 – Impairment charges for loans and receivables to customers
- Note 18 – Loans and receivables to customers

How our audit addressed the key audit matter

Our procedures included the following:

- We obtained an understanding of the management's process and tested controls over credit origination, credit monitoring and credit remediation.
- We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.
- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied, by comparing these to the requirements of SLFRS 9: Financial Instruments, particularly in light of the deteriorating and extremely volatile economic scenarios caused by prevailing macroeconomic conditions, COVID-19 pandemic and government responses based on the best available information up to the date of our report.
- We test-checked the underlying calculations and data.

In addition to the above, we performed the following specific procedures:

For loans and receivables collectively assessed for impairment:

- We assessed the completeness of the underlying information in loans and receivables used in the impairment calculations by agreeing details to the company's source documents and information in IT systems.
- We assessed whether judgments, estimates and assumptions used by the management in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Further, we assessed the reasonableness of the company's considerations of the economic uncertainty relating to prevailing macroeconomic conditions and COVID-19.

For loans and receivables individually assessed for impairment:

- We assessed the main criteria used by the management for determining whether an impairment event had occurred.
- Where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held.
- Evaluating the reasonableness of the provisions made with particular focus on the prevailing macroeconomic conditions as well as, on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.

For loans and advances affected by government stimulus and debt moratorium relief measures granted:

- Assessing the appropriateness of judgments, reasonableness of calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications; and
- Evaluating the reasonableness of the interest income recognised on such affected loans and advances.

We also assessed the adequacy of the related financial statement disclosures.

BDO

Key audit matter 2: Impairment of Goodwill and Brand Value

The company carries out an impairment review of goodwill and brand value at least annually or whenever there is an impairment indicator in accordance with Sri Lanka Accounting Standards.

This was considered a matter of significance to our audit due to the materiality of the carrying value of the goodwill and brand value balances which amount to Rs. 565 million and Rs 236 million respectively as at 31st March 2022 and because the directors' assessment of impairment involves significant judgment.

Goodwill and brand value were recognized in the financial statements, upon the company (former Bartleet Finance PLC) acquiring and amalgamating former Orient Finance PLC during the financial year ended 31st March 2016.

As per LKAS 36: Impairment of Assets, the company is required to annually test for impairment of goodwill and brand. Impairment is assessed by comparing the carrying value of assets against the recoverable amount. The company determines the recoverable amount of goodwill and brand value based on the value in use method, by using the discounted cash flow model. In carrying out its assessment, for the purposes of cash flow forecasts, the company projects future cash flows based on approved budgets. These cash flows are discounted using applicable discount rates.

Based on the impairment test performed for goodwill and brand value as explained above, the company concluded that both goodwill and brand value have not been impaired as at 31st March 2022.

The disclosure associated with impairment assessment of goodwill and brand value is set out in note 23 to the financial statements.

How our audit addressed the key audit matter

We have tested management's assessment of the impairment of goodwill and brand value as at 31st March 2022.

Our work included the following procedures:

- We evaluated the management's competence and level of skills required in developing assumptions, gathering accurate data and performing assessments.
- We assessed the validity of management's use of appropriate methods in assessing the impairment for goodwill and brand value.
- We challenged the key inputs and assumptions the company has used in assessing the impairment, considering the prevailing macroeconomic conditions as well as the COVID 19 outbreak and its impact on macro-economic factors.
- We carried out calculations on the impairment assessment to determine the degree by which the key assumptions would need to change in order to trigger an impairment.
- We tested the appropriateness of the related disclosures provided in the company's financial statements.

Other information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially consistent with the financial statements and our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4291.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo

24th June 2022
JD/dm

INCOME STATEMENT

For the year ended 31st March	Note	2022 Rs.	2021 Rs.
Income	4	**2,972,208,857**	2,675,721,881
Interest income	5	**2,709,169,183**	2,441,043,999
Interest expenses	6	**(1,159,466,921)**	(1,333,791,609)
Net interest income		**1,549,702,262**	1,107,252,390
Fee and commission income	7	**102,104,674**	122,533,493
Other operating income	8	**160,935,000**	112,144,389
Total operating income		**1,812,741,936**	1,341,930,272
Impairment charges for loans and receivables to customers	9	**(124,539,825)**	(110,464,561)
Net operating income		**1,688,202,111**	1,231,465,711
Operating expenses			
Personnel expenses	10	**(605,009,612)**	(504,297,758)
Depreciation and amortisation		**(81,232,809)**	(69,077,693)
Other operating expenses	11	**(399,197,920)**	(398,236,240)
Operating profit before Value Added Tax and NBT		**602,761,770**	259,854,020
Value Added Tax and NBT on financial services		**(149,764,604)**	(66,291,132)
Profit before income tax		**452,997,166**	193,562,888
Income tax expense	12	**-**	-
Profit for the year		**452,997,166**	193,562,888
Basic earnings per share (Rs.)	13.1	**2.15**	0.92
Dividend per share (Rs.)	14	**-**	-

Figures in brackets indicate deductions.

The accounting policies and notes on pages 127 to 176 form an integral part of these financial statements.

Colombo
24th June 2022

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	2022 Rs.	2021 Rs.
Profit for the year		**452,997,166**	193,562,888
Other comprehensive income			
Other comprehensive income to be re-classified to profit or loss in subsequent periods			
Fair value loss on invesment in quoted shares		**(12,019,740)**	(16,556,775)
Deferred tax effect on above		**-**	-
		(12,019,740)	(16,556,775)
Other comprehensive income not to be re-classified to profit or loss in subsequent periods			
Actuarial Gain/(loss) on retirement benefit plan	32.1	**3,203,144**	(230,413)
Deferred tax effect on above	22	**768,755**	(55,299)
		3,971,899	(285,712)
Other comprehensive income for the year net of tax		**(8,047,841)**	(16,842,487)
Total comprehensive income for the year net of tax		**444,949,325**	176,720,401

Figures in brackets indicate deductions.

The accounting policies and notes on pages 127 to 176 form an integral part of these financial statements.

Colombo
24th June 2022

STATEMENT OF FINANCIAL POSITION

As At 31st March	Note	2022 Rs.	2021 Rs.
ASSETS			
Cash and cash equivalents	16	**296,439,735**	225,161,509
Financial assets - fair value through other comprehensive income	17	**725,704,749**	849,632,814
Loans and receivables to customers	18	**14,125,811,999**	11,447,030,340
Investments with banks and other financial institutions	19	**242,460,738**	31,684,600
Other assets	20	**255,411,953**	269,749,727
Real estate stock	21	**9,338,093**	24,764,518
Deferred tax asset	22	**371,600,809**	370,832,054
Goodwill	23	**564,545,746**	564,545,746
Brand value	23	**235,880,000**	235,880,000
Other intangible assets	24	**37,899,935**	50,664,120
Property, plant and equipment	25	**84,505,805**	61,805,370
Right-of-use of assets	26	**115,496,075**	129,167,820
Investment properties	27	**662,150,002**	628,000,002
Total assets		**17,727,245,639**	14,888,918,620
LIABILITIES			
Due to banks - bank overdrafts	16	**680,571,641**	79,180,458
Deposits from customers	28	**9,204,263,013**	8,692,940,933
Interest bearing borrowings	29	**3,874,859,251**	2,650,800,328
Lease liability - Right-of-use assets	30	**76,660,167**	104,375,186
Other liabilities	31	**514,908,252**	434,886,967
Retirement benefit obligations	32	**44,103,980**	39,804,738
Total liabilities		**14,395,366,304**	12,001,988,610
EQUITY			
Stated capital	33	**2,431,879,039**	2,431,879,039
Statutory reserve fund	34	**375,736,747**	330,437,030
Revaluation reserve	35	**141,120,773**	141,120,773
Retained earnings		**383,142,776**	(16,506,832)
Total equity		**3,331,879,335**	2,886,930,010
Total equity and liabilities		**17,727,245,639**	14,888,918,620
Net assets per share		**15.78**	13.68

Figures in brackets indicate deductions.

The accounting policies and notes on pages 127 to 176 form an integral part of these financial statements.

The financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.

Sanjeeva Jayasinghe
Head of Finance

K.M.M. Jabir
Chief Executive Officer/ Director

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board.

Rajendra Theagarajah
Chairman

Prakash Schaffter
Director

Colombo
24th June 2022
JD/dm

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2022	Stated capital	Statutory reserve fund	Revaluation reserve	Retained earnings/ (accumulated) losses	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2020	2,431,879,039	311,080,742	141,120,773	(173,870,945)	2,710,209,609
Profit for the year	-	-	-	193,562,888	193,562,888
Transfer to statutory reserve (Note 34)	-	19,356,288	-	(19,356,288)	-
Other comprehensive income net of taxes	-	-	-	(16,842,487)	(16,842,487)
Balance as at 31st March 2021	2,431,879,039	330,437,030	141,120,773	(16,506,832)	2,886,930,010
Profit for the year	-	-	-	452,997,166	452,997,166
Transfer to statutory reserve (Note 34)	-	45,299,717	-	(45,299,717)	-
Other comprehensive income net of taxes	-	-	-	(8,047,841)	(8,047,841)
Balance as at 31st March 2022	2,431,879,039	375,736,747	141,120,773	383,142,776	3,331,879,335

Figures in brackets indicate deductions.

The accounting policies and notes on pages 127 to 176 form an integral part of these financial statements.

Colombo
24th June 2022

STATEMENT OF CASH FLOWS

For the year ended 31st March	2022 Rs.	2021 Rs.
Cash flows from operating activities		
Profit before income tax	**452,997,166**	193,562,888
Adjustment for:		
Depreciation and amortisation	**81,232,809**	69,077,693
Profit on disposal of property, plant and equipment	**(483,465)**	(433,641)
Property, plant and equipment written-off	**3,197,024**	31,886,945
Gold loans written-off - Gampaha robbery	**-**	58,236,918
Impairment charges for loans and receivables to customers	**124,539,825**	110,464,561
Impairment provision on real estate receivable	**16,277,733**	-
Finance expenses	**1,159,466,921**	1,333,791,609
Fair value gain on investment properties	**(10,650,000)**	-
Investment income	**(69,006,866)**	(47,241,809)
Provision for gratuity	**9,182,059**	6,894,587
Operating profit before working capital changes	**1,776,753,206**	1,756,239,751
Change in loans and receivables to customers	**(2,803,321,484)**	643,179,186
Change in other assets	**14,337,774**	9,682,433
Change in deposits from customers	**534,878,008**	(300,066,595)
Change in other liabilities	**80,021,285**	(7,725,902)
	407,331,221	2,101,308,873
Rent paid	**(73,674,667)**	(67,336,244)
Interest paid	**(826,252,882)**	(979,477,392)
Gratuity paid	**(1,679,673)**	(9,907,520)
Net cash from/(used in) operating activities	**(1,308,938,433)**	1,044,587,717
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	**(58,431,303)**	(105,274,587)
Proceeds from sale of property, plant and equipment	**525,669**	467,452
Expenses incurred for real estate stock	**(851,308)**	(7,991,809)
Net change in financial assets - FVTOCI	**111,908,325**	68,288,497
Net change in investments with bank and other financial institutions	**(205,664,740)**	47,274,816
Investment income received	**40,589,824**	41,411,853
Net cash generated from/(used in) investing activities	**(111,923,533)**	44,176,222
Cash flows from financing activities		
Interest bearing borrowings obtained	**6,966,523,171**	3,018,000,000
Repayment of interest bearing borrowings	**(5,697,482,046)**	(3,417,212,273)
Interest paid on borrowings	**(378,292,116)**	(348,674,729)
Net cash/(used in) financing activities	**890,749,009**	(747,887,002)
Net change in cash and cash equivalents	**(530,112,957)**	340,876,937
Cash and cash equivalents at the beginning of the year	**145,981,051**	(194,895,886)
Cash and cash equivalents at the end of the year (Note A)	**(384,131,906)**	145,981,051
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	**230,339,894**	138,317,736
Cash at bank	**66,099,841**	86,843,773
Bank overdrafts - secured	**(680,571,641)**	(79,180,458)
	(384,131,906)	145,981,051

The accounting policies and notes on pages 127 to 176 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Colombo
24th June 2022

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

1.1. Corporate information

Orient Finance PLC ("the company") is a Public Limited Company incorporated and domiciled in Sri Lanka under the Companies Act No. 07 of 2007. The company is approved under Finance Lease Act, No. 56 of 2000 and Finance Business Act No. 42 of 2011 and listed in the Colombo Stock Exchange.

The registered office of the company is located at No. 02, Deal Place, Colombo-03 and the business is carried out at 61, Dharmapala Mawatha, Colombo 07.

1.2. Principal activities and nature of operations

The principal activities of the company are comprised of finance leasing, hire purchasing, debt factoring, mobilisation of deposits and pawning (gold loans) advances.

1.3. Parent entity and ultimate parent entity

In the opinion of the directors, the company's parent undertaking is Janashakthi Limited.

1.4. Directors' responsibility statement

The board of directors takes the responsibility for the preparation and presentation of the financial statements of the company as per the provisions of the Companies Act No.07 of 2007 and the requirements of the Sri Lanka Accounting Standards comprising LKASs and SLFRSs.

1.5. Date of authorisation

The financial statements of the company for the year ended 31st March 2022 were authorised for issue by the board of directors on 24th June 2022.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The statement of financial position as at 31st March, 2022 income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows, and the summary of significant accounting policies and other explanatory information to the financial statements ("financial statements") of the company for the year then ended, comply with the Sri Lanka Accounting Standards (SLFRSs/LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka") and the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.2. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

Item	Basis of measurement
Financial assets measured at fair value through other comprehensive income	Fair value
Retirement benefit obligations	Liability is recognised as the present value of the retirement benefit obligations plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses.
Investment property: Land and Buildings	Fair value

2.3. Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee unless stated otherwise.

2.4. Presentation of financial statements

The assets and liabilities of the company presented in its statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. Maturity analysis is presented in Note 37 to the financial statements.

2.5. Materiality and aggregation

In compliance with LKAS 01 on "Presentation of Financial Statements", each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

2.6. Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter-period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.7. Going concern

The directors have made an assessment of the company's ability to continue s a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the existing and potential implications economic crises on the business operations and performance of the company and the measures adopted by the government to mitigate the economic crises and support recovery of the economy. The Board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.8. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements of the company are as follows:

2.8.1. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

2.8.2. Classification of financial assets and liabilities

As per SLFRS 9, the significant accounting policies of the company provide scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria:

- The entity's business model for managing the financial assets as set out in Note 3.1.3.1.
- The contractual cash flow characteristics of the financial assets as set out in Note 3.1.3.2.

2.8.3. Impairment losses on financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are based on the assumptions about a number of factors and the actual results may differ, resulting in future changes to the allowance.

Refer Notes 9 and 18 for more details relating to impairment loss assessment on financial assets.

2.8.4. Impairment of goodwill and brand

Impairment exists when the carrying value of goodwill and brand exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The company has adopted value in use (VIU) method for impairment assessment and VIU calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the company. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount of goodwill and brand are disclosed and further explained in Note 23 to the financial statements.

2.8.5. Defined benefit obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making various assumptions determining the discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the company.

2.8.6. Useful economic lives of property, plant and equipment

Useful economic lives of property, plant and equipment are estimated as disclosed in the Note 3.4.4 to the financial statements.

2.8.7. SLFRS 16 – Leases

2.8.7.1. Determination of the lease term for lease contracts with renewal and termination options (company as a lessee)

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The company has several lease contracts that include extension and termination options. The company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2.8.7.2. Estimating the incremental borrowing rate

As the company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.8.8. Impact of prevailing macroeconomic conditions and COVID-19

The prevailing macroeconomic conditions and COVID-19 and their related implications have increased the uncertainty of estimates made in the preparation of the Financial Statements, The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the prevailing macroeconomic conditions and COVID-19 and the related actions of stakeholders such as government, businesses and customers.
- the extent and duration of the prevailing macroeconomic conditions due to the impact on GDP, capital markets, credit risk of customers, impact of unemployment and possible decline in consumer discretionary spending
- the effectiveness of Government and Central Bank measures that have been put in place in response to the prevailing circumstances

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to impairment of financial assets and recoverable amount assessments of non-financial assets, recoverable value of property, plant and equipment and investment properties.

The impact of prevailing macroeconomic conditions and COVID-19 on accounting estimates is discussed under the relevant notes to these financial statements.

2.9. Changes in Accounting Policies

The company has consistently applied the accounting policies to all periods presented in these financial statements, except for the changes arising out of amendments to Accounting Standards as set out below:

2.10. Changes to already existing accounting standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

2.10.1. Amendments to SLFRS 16 Covid-19 Related Rent Concessions beyond 30th June 2021

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The Company has applied practical expedient for Covid-19 related rent concessions which have been extended up to June 2022.

SIGNIFICANT ACCOUNTING POLICIES

2.10.2. New accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but are not yet effective, up to the date of issuance of the company's financial statements are disclosed below.

The company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Accounting Standard	Description	Effective Date
LAS 37 - Provisions, Contingent Liabilities and Contingent Assets	Amendment specifies the costs that an entity needs to include when assessing whether a contract is onerous or loss-making.	1st January 2022
LKAS 16 - Property, Plant and Equipment	Arnendment prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item of property, plant and equipment.	1st January 2022
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences e.g. leases.	1st January 2023
Annual improvements to SLFRS Standards 2018 - 2020	Annual improvements to SLFRS Standards	1st January 2022
Amendments to LKAS 1	Classification of liabilities as current or non-current	1st January 2023
Amendments to LKAS1 and SLFRS Practice Statement 2	Disclosure of accounting policies	1st January 2023
Amendments to LKAS 8	Definition of accounting estimates	1st January 2023

The assessment of the impact on the company does not have any material impact on the financial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements of the company unless otherwise indicated.

3.1. Financial instruments – Initial recognition, classification and subsequent measurement

3.1.1. Date of recognition

The company initially recognises loans and advances, deposits and subordinated liabilities, etc., on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.

3.1.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Note 3.1.3 and 3.1.4 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15.

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the income statement.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have a significant financing component) at initial recognition differs from the transaction price, the company accounts for the Day 1 profit or loss, as described below:

3.1.2.1. "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is de-recognised.

3.1.3. Classification and subsequent measurement of financial assets

As per SLFRS 9, the company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at one of the following:

- Amortised cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

3.1.3.1. Business model assessment

The company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument -by- instrument basis because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods and the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the company's original expectations, the company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.3.2. Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than deminimising exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains such a contractual term that could change the timing or amount of contractual cash flows that it would not meet this condition. In making the assessment, the company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Refer Notes 3.1.3.3 and 3.1.3.4 below for details on different types of financial assets recognised in the Statement of Financial Position (SOFP).

SIGNIFICANT ACCOUNTING POLICIES

3.1.3.3. Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 3.1.3.3.1 to 3.1.3.3.4 below.

3.1.3.3.1. Loans and advances to customers

Loans and advances to customers include loans and advances, and lease and hire purchase receivables of the company.

Details of "Loans and advances to customers" are given in Notes 18.

3.1.3.3.2. Investment in reverse repurchase agreement against the treasury bills and bonds

When the company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the agreement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

Details of "Investment in reverse repurchase agreement against the treasury bills and bond" are given in Note 17.

3.1.3.3.3. Cash and cash equivalents

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments. They are brought to the financial statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Details of "Cash and cash equivalents" are given in Note 16.

3.1.3.3.4. Investments with banks and other financial institutions

Details of "Investments with banks and other financial institutions" are given in Note 19.

3.1.3.4. Financial assets measured at FVTOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

3.1.3.4.1. Debt instruments measured at FVTOCI

Debt instruments are measured at FVTOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding.

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

These instruments comprise Government Securities that had previously been classified as available for sale.

Details of "Debt instruments at FVTOCI" are given in Note 17.

3.1.3.4.2. Equity instruments designated at FVTOCI

Upon initial recognition, the company elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVTOCI.

Details of "Equity instruments at FVTOCI" are given in Note 17.

3.1.4. Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as –
  - Held-for-trading; or
  - Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The company does not have any financial liabilities at fair value through profit or loss.

3.1.4.2. Financial liabilities at amortised cost

Financial liabilities issued by the company that are not designated at FVTPL are classified as financial liabilities at amortised cost under “Deposits from customers”, “Due to banks” or “Other borrowings” as appropriate, where the substance of the contractual arrangement results in the company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in “Interest expense” in the income statement. Gains and losses are also recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.1.5. Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.1.5.1. Measurement of reclassification of financial assets

3.1.5.1.1. Reclassification of Financial Instruments at ‘Fair value through profit or loss’

- To Fair value through other comprehensive income

  The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.

- To Amortised Cost

  The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

3.1.5.1.2. Reclassification of Financial Instruments at ‘Fair value through other comprehensive income’

- To Fair value through profit or loss

  The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortised Cost

  The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

  EIR determined at initial recognition and gross carrying amount is not adjusted as a result of reclassification.

3.1.5.1.3. Reclassification of Financial Instruments at “Amortised Cost”

- To Fair value through other comprehensive income

  The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

  The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

SIGNIFICANT ACCOUNTING POLICIES

3.1.6. De-recognition of financial assets and financial liabilities

3.1.6.1. Financial assets

The company de-recognises a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all risks and rewards of ownership nor retains control of the financial asset.

3.1.6.2. Financial liabilities

The company de-recognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.1.7. Modification of financial assets and financial liabilities

3.1.7.1. Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

As per SLFRS 9, if the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

3.1.7.2. Financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

3.1.8. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the company's trading activity.

3.1.9. Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

3.1.10. Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 47.

3.1.11. Identification and measurement of impairment of financial assets

3.1.11.1. Overview of the ECL principles

As per SLFRS 9, the company records an allowance for expected credit losses for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and loan commitments.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- **Stage 1:** A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the company records an allowance for LTECL. Refer Note 3.1.11.2 for a description on how the company determines when a significant increase in credit risk has occurred.

- **Stage 3:** If a financial asset is credit-impaired, it is moved to Stage 3 and the company recognises an allowance for LTECL, with probability of default at 100%. Refer Note 3.1.11.3 for a description on how the company defines credit impaired and default.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The company does not have POCI loans as at the reporting date.

The key judgements and assumptions adopted by the company in addressing the requirements of SLFRS 9 are discussed below:

3.1.11.2. Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the company's historical experience and expert credit assessment including forward looking information.

The company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 60 days past due in accordance with the rebuttable presumption in SLFRS 9.

The company individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/ group of customers or instruments
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful
- When a customer is subject to litigation that significantly affects the performance of the credit facility
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants
- When the customer is deceased/insolvent
- When the company is unable to contact or find the customer

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The company regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the company determines significant increase in credit risk based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

3.1.11.3. Definition of default and credit impaired assets

The company considers loans and advances to customers as defaulted when:

- The borrower is unlikely to pay its obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- The borrower becomes 180 days past due on its contractual payments.

In addition, the company classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is in "default".

In assessing whether a borrower is in default, the company reviews its individually significant loans and advances above a predefined threshold at each reporting date. The company considers non performing credit facilities/customers with one or more of indicators set out in Note 3.1.11.2 above as credit impaired.

3.1.11.4. Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described in Note 3.1.11.2. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

3.1.11.5. Grouping financial assets measured on collective basis

The company calculates ECLs either on a collective or an individual basis. Asset classes where the company calculates ECL on individual basis include credit impaired facilities of individually significant customers.

Those financial assets for which, the company determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on a collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

3.1.11.6. The calculation of Expected Credit Loss Principle (ECL)

The company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD:** Exposure At Default is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principal and interest, whether scheduled by contract or otherwise, expected draw down on committed facilities and accrued financing income from missed payments.
- **LGD:** Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realisation of any collateral.

Forward-looking information

The company incorporates forward-looking information into both its assessments as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The company has identified key drivers of credit risk both quantitatively and qualitatively for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth	Status of industry business
Unemployment rate	Regulatory impact
Interest rate (AWPLR)	Government policies
Rate of inflation	
Exchange rate	

At the reporting date, the company adopted an approach recognising that COVID-19 is the key driver of the macroeconomic outlook at the reporting date.

COVID - 19 impact on loans and advances

The company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 in line with the directions issued by the CBSL. Utilisation of a payment deferral program does not, all else being equal, automatically trigger a SICR. As such, key issue will be to distinguish between cases where the payment holidays provide relief from short-term liquidity constraints impacting the borrower that do not amount to a SICR. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgements in the assessment of the impact of the COVID-19 outbreak on the loans and advances portfolio, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures including concessionary financing and payment moratorium.

The impact of the outbreak has been assessed and adjusted in these financial statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. In response to COVID-19 and expectations of economic impacts, key assumptions used in the calculation of ECL have been revised. As at the reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19.

Accordingly, the company took steps to identify the customers showing distress signs in identifying SICR under the individual impairment assessment. Under the individual assessment, customers operating in risk elevated industries including Tourism, supplying hardware items, printing and publishing, tobacco related business, passenger transport and electronic items were assessed individually in ECL model. In addition, as expert credit judgment, the stressed the ECL parameters such as PDs and LGDs to reflect the real economic scenario that is not reflected due to the deferrals and concessions granted due to COVID-19. Early observations of payment behavior of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

3.1.12. Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

3.2. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 -** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 1

When available, the company measures fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

If a market for a financial instrument is not active, then the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which the current market transactions or observable market data are not available. Their fair value is determined by using valuation models that have been tested against prices or inputs to actual market transactions and also using the best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models.
Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on de-recognition of the instrument.

SIGNIFICANT ACCOUNTING POLICIES

3.3. Inventories

Inventories consist of stationery purchased for the office use. Inventories are measured at lower of cost or net realisable value.

Cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

3.4. Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the supply of services, or for administrative purposes and are expected to be used for more than a one year period.

3.4.1. Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

3.4.2. Measurement

Land and Buildings are stated at revalued amounts, net of accumulated depreciation.

Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit and loss.

Purchased software that is integrated to the functionality of the related equipment is capitalised as intangible assets.

The company applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the company are revalued by independent professional valuers more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

3.4.3. Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred. When replaced costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised.

3.4.4. Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease terms and other useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease period.

The estimated useful lives are as follows:

Furniture and fittings	4 years
Office equipment	4 years
Computer equipment	4 years
Motor vehicles	4 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.5. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. They are not properties held for sale in the ordinary course of business, used in the production or supply of goods or service or for administrative services.

3.5.1. Basis of recognition

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the company and if the cost of the investment property can be measured reliably.

3.5.2. Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The carrying amount includes the cost of replacing part of an existing Investment Property at the time that the cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. The company revalues investment property at least once in three years.

3.5.3. Derecognition

Investment Properties are de-recognised when either they have been disposed of or when the Investment Property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising on the retirement or disposal of an Investment Property are recognised in the income statement in the year of retirement or disposal.

3.6. Leases

3.6.1. Right-Of-Use Assets – Company as a lessee

a) Basis of recognition

The company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" (SLFRS 16) in accounting for all leasehold rights except for short term leases, which are held for use in the provision for services.

b) Basis of measurement

The company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

c) Depreciation

Right-of-use assets are depreciated over the lease term of the assets as there is no reasonable certainty that the company will obtain the ownership of such assets by the end of the lease term.

3.6.2. Lease liability

At the commencement date of the lease, the company recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The present value of lease commitments has been calculated using the weighted average incremental borrowing rate.

Details of "Right-of-use asset" and "Lease liability" are given in Notes 26 and 30, respectively.

3.6.3. Operating leases – Company as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The company recognises lease payments from operating leases as income on a straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.7. Intangible assets

Intangible assets acquired separately are measured initially at cost. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses.

3.7.1. Intangible assets with finite lives and amortisation

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation is commenced when the assets are available for use.

SIGNIFICANT ACCOUNTING POLICIES

3.7.1.1. Computer software

Computer software is amortised over four years from the date of acquisition.

3.7.2. Intangible assets with indefinite lives and amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually either individually or at the CGU level as appropriate, when circumstances indicate that the carrying value is impaired. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

3.7.2.1. Brand value

Brand value is not amortised and is tested for impairment annually.

3.7.3. Derecognition of intangible assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the income statement.

3.8. Impairment of non-financial assets

3.8.1. Recognition

The carrying values of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For the assets that have indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

3.8.2. Calculation of recoverable amount

The recoverable amount is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of their time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3.8.3. Reversal of impairment

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9. Deposits due to customers

These include term deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the company designates liabilities at fair value through profit or loss. They are stated in the statement of financial position at amount payable. Interest paid / payable on these deposits based on the effective interest rate is charged to the income statement.

3.10. Other liabilities

Other liabilities are recorded at amounts expected to be payable at the reporting date.

3.11. Employee benefits

3.11.1. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.11.1.1. Employees' Provident Fund (EPF)

The company and employees contribute 12% and 8% respectively on the salary of each employee to the approved provident fund.

3.11.1.2. Employees' Trust Fund (ETF)

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.11.2. Defined benefit plans

3.11.2.1. Retirement benefit obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed by a qualified actuary using a "Projected Unit Credit" method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used. The assumptions based on which the results of actuarial valuation were determined are included in the Note 32 to the financial statements.

The company recognises all actuarial gains and losses arising from the defined benefit plan and all expenses related to defined benefit plans in the income statement and actuarial gains and losses in the other comprehensive income.

This retirement benefit obligation is not externally funded.

However, according to the payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the company.

3.11.3. Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.12. Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.13. Capital commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the company are disclosed in the respective notes to the financial statements.

3.14. Events occurring after the reporting date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in the financial statements, where necessary.

3.15. Income statement

3.15.1. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are ascertained before revenue is recognised.

3.15.1.1. Interest income and interest expense

Interest income and expense are recognised in the Income Statement using the effective interest rate (EIR) method.

As per SLFRS 9, the interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.
- As per LKAS 39, the interest income and expense recognised in the Income Statement included:
- Interest on loans and receivables calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

Effective Interest Rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3.15.1.2 Dividend income

Dividend income is recognised when the company's right to receive the payment is established.

3.15.1.3 Fees and commission income and expense

Fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

3.15.1.4. Interest on overdue rentals

Overdue interest is charged on loans and advances which are not paid on the due date and accounted for on the cash basis.

3.15.1.5. Profit or loss on disposal of property, plant and equipment

Profits or losses resulting from disposal of property, plant and equipment have been accounted for in the income statement.

3.15.1.6. Recovery of bad and doubtful debts written off

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

3.15.2. Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit/(loss) for the year.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

The profit earned by the company before taxation as shown in the Income Statement is after making provision for all known liabilities and for the depreciation of property, plant and equipment.

3.15.2.1. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for the intended use or sale, are capitalised as part of the asset.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.16. Taxes

3.16.3. Income tax expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised directly in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxes

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto, at the rates specified in the Note 12 to the financial statements. This note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

Deferred tax

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16.2. Value Added Tax on financial services

VAT on financial services is calculated in accordance with the amended VAT Act No.07 of 2003. The Base for the computation of VAT on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

3.16.3. Crop Insurance Levy (CIL)

As per the provisions of Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.17. Earnings per share

The financial statements present basic earnings per share (EPS) for its ordinary shareholders. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.18. Cash flow statement

The cash flow statement has been prepared using the "indirect method". Interest paid is classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of the cash flow statement.

3.19. Regulatory provisions

3.19.1. Deposit insurance scheme

In terms of the Finance Companies Direction No. 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 all registered finance companies are required to insure their deposit liabilities in the deposit insurance scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 01st October, 2010. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:

- Deposit liabilities to member institutions.
- Deposit liabilities to Government of Sri Lanka.
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of registered finance companies.
- Deposit liabilities held as collateral against any accommodation granted.
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka.

Registered finance companies are required to pay a premium of 0.15% on eligible deposit liabilities as at the end of the month to be payable within a period of 15 days from the end of the respective month.

3.20. Reserves

3.20.1. Statutory reserve fund

The statutory reserve fund is maintained in terms of a licensed finance company (Capital Funds) direction No.01 of 2003. Accordingly, the company should transfer funds out of net profits of each year in the following manner, after due provision has been made for taxation and bad and doubtful debts.

- If capital funds are not less than twenty five percent of total deposit liabilities a sum equal to not less than five percent of the net profits;
- If capital funds are less than twenty five percent of total deposit liabilities but not less than ten percent thereof, a sum equal to not less than twenty percent of the net profits;
- If capital funds are less than ten percent of total deposit liabilities a sum equal to not less than fifty percent of the net profits.

3.20.2. Fair value / Available for sale reserve

This has been created in order to account the fair value changes of Financial assets at Fair Value Through Other Comprehensive Income / Available for sale financial assets.

3.21. Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components, whose operating results are reviewed regularly by the company's management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For each of the strategic divisions, the company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the financial statements. Income taxes are managed on a company basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	2022 Rs.	2021 Rs.
4. INCOME		
Interest income (Note 5)	**2,709,169,183**	2,441,043,999
Fee and commission income (Note 7)	**102,104,674**	122,533,493
Other operating income (Note 8)	**160,935,000**	112,144,389
	2,972,208,857	2,675,721,881

5. INTEREST INCOME		
Finance lease	**1,946,303,708**	1,791,158,103
Hire purchase	**238,419**	941,314
Factoring	**3,927,144**	18,280,832
Loans	**151,428,161**	153,740,816
Gold loans	**538,264,885**	429,681,125
Interest income on investments	**69,006,866**	47,241,809
	2,709,169,183	2,441,043,999

6. INTEREST EXPENSES		
Interest expense on		
Borrowings	**303,636,490**	339,014,254
Customer deposits	**802,696,954**	951,852,689
Negotiable instruments	**2,438,716**	4,868,672
Overdraft interest	**27,040,350**	16,766,106
Interest expense on lease liabilities - Right-of-use asset	**23,654,411**	21,289,888
	1,159,466,921	1,333,791,609

7. FEE AND COMMISSION INCOME		
Documentation income -Lease and hire purchases	**64,879,926**	77,371,335
Administration charges -Factoring	**2,062,165**	1,921,243
Service charges - Loans	**-**	3,109,202
Insurance commission	**35,162,583**	40,131,713
	102,104,674	122,533,493

8. OTHER OPERATING INCOME		
Collections from written off contracts	**81,498,103**	54,497,653
Profit on disposal of property, plant and equipment	**483,465**	433,641
Rent income	**10,788,000**	11,740,282
Fair value gain on investment properties	**10,650,000**	39,525,849
Dividend income	**4,074,362**	768,000
Insurance claim on Gampaha Branch robbery (Note 8.1)	**52,657,637**	-
Sundry income	**783,433**	5,178,964
	160,935,000	112,144,389

8.1

As disclosed in Note 11 to the financial statements, the company has made a provision of Rs. 58,236,918/- in previous year for loss on the robbery. An insurance claim of Rs. 52,657,637/- was received in current year for the same.

For the year ended 31st March	2022 Rs.	2021 Rs.
9. IMPAIRMENT CHARGES/(REVERSALS) FOR LOANS AND RECEIVABLES TO CUSTOMERS		
Finance lease receivable		
Stage 01	**(158,329,134)**	(30,808,723)
Stage 02	**(21,462,524)**	(179,920,518)
Stage 03	**241,017,878**	223,445,135
	61,226,220	12,715,894
Hire purchase receivable		
Stage 01	**-**	(4,673)
Stage 02	**-**	(47,955)
Stage 03	**(4,180,994)**	(3,640,980)
	(4,180,994)	(3,693,608)
Other loans receivable		
Stage 01	**(3,299,063)**	(20,307,290)
Stage 02	**(662,533)**	(22,542,230)
Stage 03	**73,785,946**	88,000,450
	69,824,350	45,150,930
Factoring receivable		
Stage 01	**(4,415,440)**	194,128
Stage 02	**-**	-
Stage 03	**12,190,605**	44,405,262
	7,775,165	44,599,390
Gold loans receivable		
Stage 01	**-**	11,500,000
Stage 02	**-**	-
Stage 03	**(11,268,881)**	191,955
	(11,268,881)	11,691,955
Alternative finance		
Stage 01	**1,163,965**	-
Stage 02	**-**	-
Stage 03	**-**	-
	1,163,965	-
Total Impairment charge	**124,539,825**	110,464,561

10. PERSONNEL EXPENSES

Salaries and other related expenses		**545,256,674**	449,073,338
Defined contribution plan	- EPF	**40,456,703**	38,663,866
	- ETF	**10,114,176**	9,665,967
Defined benefit plan	- Gratuity	**9,182,059**	6,894,587
		605,009,612	504,297,758

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	2022 Rs.	2021 Rs.
11. OTHER OPERATING EXPENSES		
Directors' emoluments	**7,500,000**	5,175,000
Auditor's remuneration	**1,783,694**	1,394,650
Professional and legal fees	**49,851,353**	46,895,862
Charity and donations	**401,000**	320,000
Gold loans written off - Gampaha robbery	**-**	58,236,918
Administration and establishment expenses	**225,389,088**	137,917,675
Advertising and business promotional expenses	**69,065,210**	63,805,751
Property, plant and equipment written off	**3,197,024**	31,886,945
Impairment provision on real estate receivable	**16,277,733**	-
Other expenses	**25,732,818**	52,603,439
	399,197,920	398,236,240

For the year ended 31st March	2022 Rs.	2021 Rs.
12. INCOME TAX EXPENSE		
Current tax		
On current year profits (Note 12.1)	**-**	-
Deferred tax		
Deferred tax charged to the income statement (Note 22)	**-**	-
Income tax expense for the year	**-**	-

12.1. Reconciliation between accounting profit and taxable income		
Profit before income tax expense	**452,997,166**	193,562,888
Adjustments on disallowable expenses	**3,268,373,980**	3,908,089,350
Adjustments on allowable expenses	**(2,607,286,319)**	(3,838,333,288)
Statutory income	**1,114,084,827**	263,318,950
Less: Tax loss claimed on leasing business (Note 12.2)	**(1,099,222,464)**	(221,037,119)
Tax loss claimed on non-leasing business (Note 12.2)	**(14,862,362)**	(42,281,831)
Assessable income	**-**	-
Less: Utilisation of qualifying payments (Note 12.3)	**-**	-
Taxable profit for the year	**-**	-
Effective tax rate	**24%**	24%

For the year ended 31st March	2022 Rs.	2021 Rs.
12.2. Tax losses		
Tax losses brought forward	**3,009,263,109**	2,164,102,808
Tax losses incurred during the year	**-**	1,108,479,251
Tax losses claimed during the year	**(1,114,084,826)**	(263,318,950)
Tax losses carried forward	**1,895,178,283**	3,009,263,109
12.3. Qualifying payment on investment		
Consideration paid to acquire former Orient Finance PLC	**1,730,906,250**	1,730,906,250
Less : Utilised in prior years	**(343,905,209)**	(343,905,209)
Balance qualifying payment carried forward	**1,387,001,041**	1,387,001,041

12.4. Current tax

The company is liable for tax at the rate of 24% (2021 - 24%) on its taxable income in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments made thereto.

13. EARNINGS PER SHARE

13.1. Basic earnings per share

The calculation of earnings per share is based on the profit attributable to the ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31st March	2022 Rs.	2021 Rs.
Profit attributable to ordinary shareholders (Rs.)	**452,997,166**	193,562,888
Weighted average number of ordinary shares	**211,101,155**	211,091,155
Earnings per share (Rs.)	**2.15**	0.92
Weighted average number of ordinary shares	**211,091,155**	211,091,155

14. DIVIDEND PER SHARE

The dividend per share is based on the dividend paid during the year and the number of ordinary shares outstanding as at that date.

For the year ended 31st March	2022 Rs.	2021 Rs.
Dividend paid (Rs)	**-**	-
Dividend per share (Rs.)	**-**	-

15. FINANCIAL ASSETS AND LIABILITIES

15.1. Classification as at 31 March 2022

	Financial assets at fair value through other comprehensive income (FVTOCI)	Financial assets at amortised cost	Total carrying amount
	Rs.	Rs.	Rs.
Financial assets			
Cash and cash equivalents	-	296,439,735	296,439,735
Investment in government securities, quoted and unquoted shares	725,704,749	-	725,704,749
Loans and receivables to customers	-	14,125,811,998	14,125,811,999
Investments with banks and other financial institutions	-	242,460,738	242,460,738
Total financial assets	725,704,749	14,664,712,472	15,390,417,221

	Financial liabilities at amortised cost	Total carrying amount
	Rs.	Rs.
Financial liabilities		
Bank overdrafts	680,571,641	680,571,641
Deposits from customers	9,204,263,013	9,204,263,013
Interest bearing borrowings	3,874,859,251	3,874,859,251
Total financial liabilities	13,759,693,905	13,759,693,905

15.2. Classification as at 31st March 2021

	Financial assets at fair value through other comprehensive income (FVTOCI)	Financial assets at amortised cost	Total carrying amount
	Rs.	Rs.	Rs.
Financial assets			
Cash and cash equivalents	-	225,161,509	225,161,509
Investment in government securities, quoted and unquoted shares	849,632,814	-	849,632,814
Loans and receivables to customers	-	11,447,030,340	11,447,030,340
Investments with banks and other financial institutions	-	31,684,600	31,684,600
Total financial assets	849,632,814	11,703,876,449	12,553,509,263

15. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

15.2. Classification as at 31st March 2021 (Contd.)

	Financial liabilities at amortised cost Rs.	Total carrying amount Rs.
Financial liabilities		
Bank overdrafts	79,180,458	79,180,458
Deposits from customers	8,692,940,933	8,692,940,933
Interest bearing borrowings	2,650,800,328	2,650,800,328
Total financial liabilities	11,422,921,719	**11,422,921,719**

As at 31st March	**2022** Rs.	**2021** Rs.
16. CASH AND CASH EQUIVALENTS		
Cash in hand	**230,339,894**	138,317,736
Cash at bank	**66,099,841**	86,843,773
	296,439,735	225,161,509
Bank overdrafts	**(680,571,641)**	(79,180,458)
Cash and cash equivalents for the purpose of cash flow statement	**(384,131,906)**	145,981,051
17. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Investments in government securities (Note 17.1)	**675,932,843**	782,877,214
Investments in unquoted shares (Note 17.2)	**230,600**	230,600
Investments in quoted shares (Note 17.3)	**49,541,306**	66,525,000
	725,704,749	849,632,814
17.1. Investments in government securities		
Treasury bills	**675,932,843**	782,877,214
	675,932,843	782,877,214

	Directors' Valuation Rs.	Directors' Valuation Rs.
17.2. Investments in unquoted shares		
Finance House Consortium (Private) Limited	200,000	200,000
Credit Information Bureau of Sri Lanka	30,600	30,600
	230,600	230,600

The Directors' valuation of non-quoted securities based on cost of investment less impairment amounts to Rs. 230,600/- (2021 - Rs. 230,600/-).

	No. of shares	Cost Rs.	Fair value Rs.
17.3. Investment in quoted shares			
Access Engineering PLC	300,000	9,160,000	4,500,000
Dipped Product PLC	175,000	10,312,500	5,687,500
Hemas Holdings PLC	100,000	9,719,275	4,620,000
Tokyo Cement Company (Lanka) PLC	100,000	8,735,000	3,390,000
Commercial Bank of Ceylon PLC	102,280	10,000,000	6,412,956
Hayleys PLC	65,795	5,176,751	5,059,636
Hatton National Bank PLC	77,499	9,320,000	8,137,394
John Keells Holdings PLC	50,000	8,750,000	7,250,000
People's Leasing and Finance PLC	553,558	7,250,000	4,483,820
		78,423,526	49,541,306

	2022 Rs.	2021 Rs.
18. LOANS AND RECEIVABLES TO CUSTOMERS		
Loans and receivables	**18,771,391,574**	15,445,854,933
Less: Unearned income	**(3,709,083,189)**	(2,956,661,694)
Net loans and receivables	**15,062,308,385**	12,489,193,239
Less: Impairment for expected credit losses (Note 18.1.10)	**(936,496,386)**	(1,042,162,899)
Net loans and receivables	**14,125,811,999**	11,447,030,340

As at 31st March	2022 Rs.	2021 Rs.
18.1. Product wise analysis of net loans and receivables		
18.1.1. Finance lease receivables		
Gross lease rentals receivable	**13,345,266,579**	11,813,282,439
Less: Unearned income	**(3,490,937,360)**	(2,848,253,157)
Net lease rentals receivable	**9,854,329,219**	8,965,029,282
Less: Impairment for expected credit losses (Note 18.1.10)	**(677,085,560)**	(745,726,332)
Net finance lease receivable	**9,177,243,659**	8,219,302,950
Lease rentals receivables within one year		
Gross lease rentals receivable within one year	**5,048,172,855**	5,202,757,231
Less: Unearned income	**(2,219,884,704)**	(1,811,202,255)
Net lease rentals receivable within one year	**2,828,288,151**	3,391,554,976
Less: Impairment for expected credit losses	**(256,111,704)**	(236,228,694)
Net finance lease receivable within one year	**2,572,176,447**	3,155,326,282

As at 31st March	2022 Rs.	2021 Rs.
Lease rentals receivables within one to five years		
Gross lease rentals receivable within one to five years	**8,287,904,447**	6,604,308,256
Less: Unearned income	**(1,270,592,687)**	(1,036,675,614)
Net lease rentals receivable within one to five years	**7,017,311,760**	5,567,632,642
Less: Impairment for expected credit losses	**(420,973,856)**	(509,497,638)
Net finance lease receivable within one to five years	**6,596,337,904**	5,058,135,004
Lease rentals receivables later than five years		
Gross lease rentals receivable later than five years	**9,189,277**	6,216,952
Less: Unearned income	**(459,969)**	(375,288)
Net lease rentals receivable later than five years	**8,729,308**	5,841,664
Less: Impairment for expected credit losses	**-**	-
Net finance lease receivable later than five years	**8,729,308**	5,841,664
Total	**9,177,243,659**	8,219,302,950

18.1.2. Hire purchase receivable

Gross hire purchase rentals receivable	**28,711,768**	31,140,300
Less: Unearned income	**-**	-
Net hire purchase rentals receivable	**28,711,768**	31,140,300
Less: Impairment for expected credit losses (Note 18.1.10)	**(7,583,070)**	(11,764,064)
Net hire purchase receivable	**21,128,698**	19,376,236
Hire purchase rentals receivables within one year		
Gross hire purchase rentals receivable within one year	**28,711,768**	31,140,300
Less: Unearned income	**-**	-
Net hire purchase rentals receivable within one year	**28,711,768**	31,140,300
Less: Impairment for expected credit losses	**(7,583,070)**	(11,764,064)
Hire purchase rentals receivable within one year	**21,128,698**	19,376,236

18.1.3. Other loans receivables

Gross other loans rentals receivables	**1,284,744,154**	1,241,149,993
Less: Unearned income	**(112,189,266)**	(108,408,537)
Net other loans rentals receivables	**1,172,554,888**	1,132,741,456
Less: Impairment for expected credit losses (Note 18.1.10)	**(171,949,903)**	(201,009,639)
Net other loans receivables	**1,000,604,985**	931,731,817
Other loans receivables within one year		
Gross other loans rentals receivable within one year	**794,935,444**	796,527,445
Less: Unearned income	**(71,320,140)**	(68,936,944)
Net other loans rentals receivable within one year	**723,615,304**	727,590,501
Less: Impairment for expected credit losses	**(65,044,248)**	(9,233,755)
Net other loans receivables within one year	**658,571,056**	718,356,746

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2022 Rs.	2021 Rs.
Other loans receivables within one to five years		
Gross other loans rentals receivable within one to five years	**489,808,710**	444,622,548
Less: Unearned income	**(40,869,126)**	(39,471,593)
Net other loans rentals receivable within one to five years	**448,939,584**	405,150,955
Less: Impairment for expected credit losses	**(106,905,655)**	(191,775,884)
Net other loans receivables within one to five years	**342,033,929**	213,375,071
Total	**1,000,604,985**	931,731,817

18.1.4. Factoring receivable

Factoring receivable	**95,011,647**	135,549,719
Less: Impairment for expected credit losses (Note 18.1.10)	**(72,968,214)**	(66,648,310)
Net factoring receivable	**22,043,434**	68,901,409

18.1.5. Pawning receivables

Pawning receivable	**3,579,458,664**	2,224,732,482
Less: Impairment for expected credit losses (Note 18.1.10)	**(5,745,674)**	(17,014,555)
Net pawning receivable	**3,573,712,990**	2,207,717,927

18.1.6. Alternative finance receivable	**438,198,761**	-
Less: Unearned income	**(105,956,563)**	-
Net Alternative finance receivable	**332,242,198**	-
Less: Impairment for expected credit losses (Note 18.1.10)	**(1,163,965)**	-
Net Alternative finance receivable	**331,078,233**	-
Alternative finance receivables within one year		
Gross Alternative finance receivable within one year	**165,759,378**	-
Less: Unearned income	**(67,377,707)**	-
Net Alternative finance receivable within one year	**98,381,671**	-
Less: Impairment for expected credit losses	**(440,298)**	-
Net Alternative finance receivable within one year	**97,941,373**	-
Alternative finance receivables within one to five years		
Gross Alternative finance receivable within one to five years	**272,153,831**	-
Less: Unearned income	**(38,564,895)**	-
Net Alternative finance receivable within one to five years	**233,588,936**	-
Less: Impairment for expected credit losses	**(722,908)**	-
Net Alternative finance receivable within one to five years	**232,866,028**	-

As at 31st March	2022 Rs.	2021 Rs.
Alternative finance receivables after five years		
Gross Alternative finance receivable after five years	285,552	-
Less: Unearned income	(13,961)	-
Net Alternative finance receivable after five years	271,591	-
Less: Impairment for expected credit losses	(759)	-
Net Alternative finance receivable after five years	270,832	-
Total	331,078,233	-

18.1.7. Product wise analysis of net loans and receivables

	As at 31st March 2022			As at 31st March 2021		
	Gross Receivable	ECL Allowance	Net Receivable	Gross Receivable	ECL Allowance	Net Receivable
Finance lease receivable (Note 18.1.1)						
Stage 01	**6,249,976,103**	**(219,991,126)**	**6,029,984,977**	5,286,684,715	(69,076,544)	5,217,608,171
Stage 02	**1,308,507,145**	**(188,614,675)**	**1,119,892,470**	1,949,012,087	(167,152,151)	1,781,859,936
Stage 03	**2,295,845,971**	**(268,479,759)**	**2,027,366,212**	1,729,332,480	(509,497,637)	1,219,834,843
	9,854,329,219	**(677,085,560)**	**9,177,243,659**	8,965,029,282	(745,726,332)	8,219,302,950
Hire purchase receivable (Note 18.1.2)						
Stage 01	**-**	**-**	**-**	29,285	(401)	28,884
Stage 02	**-**	**-**	**-**	-	-	-
Stage 03	**28,711,768**	**(7,583,070)**	**21,128,698**	31,111,015	(11,763,663)	19,347,352
	28,711,768	**(7,583,070)**	**21,128,698**	31,140,300	(11,764,064)	19,376,236
Other loans receivable (Note 18.1.3)						
Stage 01	**639,443,397**	**(6,702,305)**	**632,741,092**	502,208,455	(3,403,242)	498,805,213
Stage 02	**37,441,144**	**(6,493,046)**	**30,948,098**	36,114,321	(5,830,513)	30,283,808
Stage 03	**495,670,347**	**(158,754,552)**	**336,915,795**	594,418,680	(191,775,884)	402,642,796
	1,172,554,888	**(171,949,903)**	**1,000,604,985**	1,132,741,456	(201,009,639)	931,731,817
Factoring receivable (Note 18.1.4)						
Stage 01	**3,850,864**	**(1,180)**	**3,849,684**	15,686,689	(4,416,620)	11,270,069
Stage 02	**-**	**-**	**-**	-	-	-
Stage 03	**91,160,783**	**(72,967,034)**	**18,193,749**	119,863,030	(62,231,690)	57,631,340
	95,011,647	**(72,968,214)**	**22,043,433**	135,549,719	(66,648,310)	68,901,409
Pawning receivable (Note 18.1.5)						
Stage 01	**-**	**-**	**-**	-	-	-
Stage 02	**-**	**-**	**-**	-	-	-
Stage 03	**3,579,458,664**	**(5,745,674)**	**3,573,712,990**	2,224,732,482	(17,014,555)	2,207,717,927
	3,579,458,664	**(5,745,675)**	**3,573,712,990**	2,224,732,482	(17,014,555)	2,207,717,927

NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March 2022			As at 31st March 2021		
	Gross Receivable	ECL Allowance	Net Receivable	Gross Receivable	ECL Allowance	Net Receivable
Alternative finance receivable (Note 18.1.6)						
Stage 01	49,003,834	(1,163,965)	47,839,869	-	-	-
Stage 02	-	-	-	-	-	-
Stage 03	283,238,364	-	283,238,364	-	-	-
	332,242,198	(1,163,965)	331,078,233	-	-	-
Total	15,062,308,384	(936,496,386)	14,125,811,999	12,489,193,239	(1,042,162,900)	11,447,030,339

18.1.8. Movement in impairment charges during the year

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Alternative finance Rs.	Pawning Rs.	Total Rs.
Balance as at 01st April 2021	745,726,332	11,764,064	201,009,639	66,648,310	-	17,014,555	1,042,162,900
Charges for the year	61,226,220	(4,180,994)	69,824,350	7,775,165	1,163,965	(11,268,881)	124,539,825
Written off during the year	(254,342,676)	-	(105,415,908)	(1,455,261)	-	-	(361,213,845)
Legal interest capitalised	124,475,684	-	6,531,822	-	-	-	131,007,506
Balance as at 31st March 2022	677,085,560	7,583,070	171,949,902	72,968,214	1,163,965	5,745,694	936,496,386

18.1.9. Movement in specific and collective impairment charges for the year ended 31st March 2021

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Alternative finance Rs.	Pawning Rs.	Total Rs.
Balance as at 01st April 2020	1,452,845,296	27,658,881	486,182,420	351,407,759	-	5,322,600	2,323,416,956
Charge for the year	12,715,894	(3,693,608)	45,150,930	44,599,390	-	11,691,955	110,464,561
Written off during the year	(719,834,858)	(12,201,209)	(330,323,711)	(325,680,663)	-	-	(1,388,040,441)
Classification to investment property	-	-	-	(3,678,176)	-	-	(3,678,176)
Balance as at 31st March 2021	745,726,332	11,764,064	201,009,639	66,648,310	-	17,014,555	1,042,162,900

18.1.10. Impairement for Expected Credit Losses (Stage Composition) as at 31 March 2022

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Pawning Rs.	Alternative finance Rs.	Total Rs.
Stage 01 ECL	219,991,127	-	6,702,305	1,180	-	1,163,965	227,858,577
Stage 02 ECL	188,614,675	-	6,493,046	-	-	-	195,107,721
Stage 03 ECL	268,479,758	7,583,070	158,754,552	72,967,034	5,745,674	-	513,530,088
	677,085,560	7,583,070	171,949,903	72,968,214	5,745,674	1,163,965	936,496,386

As at 31st March	2022 Rs.	2021 Rs.

19. INVESTMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Investments in fixed deposits	**242,460,738**	31,718,600
Less: Expected credit loss on investment in fixed deposits	**-**	(34,000)
	242,460,738	31,684,600

20. OTHER ASSETS

Advances paid	**10,022,684**	10,859,271
Insurance commissions receivable	**4,975,188**	5,526,833
VAT receivable	**-**	2,311,807
ESC and WHT recoverable	**99,448,422**	99,448,422
Deposits and prepayments	**140,965,659**	151,603,394
	255,411,953	269,749,727

21. REAL ESTATE STOCK

Naranwala project	**1,767,497**	1,767,497
Kiriberiya project	**2,887,113**	2,887,113
Matale project	**18,808,826**	17,957,518
Maddawaththa project	**865,459**	865,459
Chillaw project	**1,793,927**	1,793,927
Fall in fair value of real estate stock	**(16,784,729)**	(506,996)
	9,338,093	24,764,518

21.1

The company has made an additional provision of Rs.16,277,733/- for fall in value of real estate stock to meet the requirements of Center Bank of Sri Lanka

22. DEFERRED TAX ASSET

Balance at the beginning of the year	**370,832,054**	370,887,353
Deferred tax effect on actuarial gain/(loss) on retirement benefit obligations	**768,755**	(55,299)
Balance at the end of the year	**371,600,809**	370,832,054

22.1. Deferred tax assets

The amount recognised as deferred tax asset is as follows:		
Property, plant and equipment and intangible assets	**(49,372,807)**	(56,234,630)
Right-of-use assets	**(9,320,618)**	(5,950,232)
Retirement benefit obligations	**10,584,955**	9,553,137
Tax losses carried forward	**-**	163,974,158
Qualifying payment on purchase consideration of amalgamation	**325,203,558**	181,121,965
Unclaimed impairment provision	**94,505,721**	78,367,656
	371,600,809	370,832,054

Deferred tax has been determined based on the effective tax rate of 24% (2021 - 24%)

NOTES TO THE FINANCIAL STATEMENTS

As of 31st March, 2022, the company has carried forward a tax loss amounting to Rs. 1,895,178,283/- (2021 - Rs. 1,333,182,574/-) which is available for offsetting against future taxable income of the company for a maximum period of six (06) years. However, the company has recognised deferred tax asset on unused tax losses only up to the deferred tax liability as 31st March 2022. Accordingly, deferred tax asset of Nil (Rs. 163,974,158/-) has been recognised from the tax losses carried forward amounting to Nil (2021 - Rs. 683,255,658/-).

23. GOODWILL ON ACQUISITION

There was a premium amounting to Rs. 800,425,746/- on the amalgamation of former Orient Finance PLC with former Bartleet Finance PLC during the quarter ended 30th June 2015 which has been computed as follows:

	Rs.
Total consideration paid	1,730,906,250
Total identifiable net assets	930,480,504
Total premium	800,425,746

23.1. Brand value

Out of the total premium on the acquisition of former Orient Finance PLC, Rs. 235,880,000/- was attributed as Brand Value of former Orient Finance PLC based on a valuation carried out by an independent professional valuer.

Valuation methodology and principal assumptions used for the brand valuation.

"Income approach" has been considered for the valuation of brand by the independent professional valuer and the following principal assumptions were used.

- Implied royalty rate - 1.68%
- Cost of equity - 16.54% (risk free rate - 11.04% + equity risk premium - 5% + alpha 5%)
- Terminal growth rate - 3%
- Terminal multiplier 5.77

To determine appropriate royalty rates for the trade names, the Independent professional valuer has considered royalty rates available in the international markets for banking and finance related brands/trade marks.

23.2. Goodwill

Pursuant to recognition of brand value as described in note 23.1 above, the remainder of the premium on acquisition amounting to Rs. 564,545,746/- has been recognised as goodwill on acquisition.

23.3. Impairment

The management has assessed to ascertain whether there could be any impairment on the brand value and/or goodwill. A separate assessment of value in use of brand value and goodwill is not practicable as the future cash flows attached to the cash generating unit pertaining to pre-acquisition of Orient Finance PLC due to the following reasons:

(a) Departments of the two entities have been merged post amalgamation

(b) Certain employees resigned and the remaining employees took over the responsibilities of the areas of the employees who left.

Consequently, the management has taken the approach of assessing impairment with a combined approach of both the brand value and goodwill. For this purpose, the management assessed the recoverable amount of goodwill and brand based on value in use taking into consideration the future estimated cash flows to equity.

Management determined forecast operating results based on past performance and expectations for the future. The pre-tax discount rate used is 12.05% and the growth rate used to extrapolate cash flow projections beyond five years is 3% per annum. Value in Use (VIU) is computed based on these data and assumptions support the carrying value of goodwill.

The summary of assessments is as follows:

	Rs.
Value in Use as per management's assessment	3,723,269,890
Carrying value of brand value and goodwill	800,425,746
Carrying value of tangible assets	2,531,453,589
Total carrying value (net assets)	3,331,879,335

Since the carrying value is less than the value in use, the management concluded that there was no impairment of brand value and goodwill taken together as at 31st March 2022.

24. OTHER INTANGIBLE ASSETS

As at 31st March	2022 Rs.	2021 Rs.
Computer software		
Cost		
Balance at the beginning of the year	**62,710,601**	11,653,860
Additions during the year	**-**	51,056,741
Balance at the end of the year	**62,710,601**	62,710,601
Accumulated amortisation		
Balance at the beginning of the year	**12,046,481**	10,848,389
Amortised during the year	**12,764,185**	1,198,092
Balance at the end of the year	**24,810,666**	12,046,481
Carrying amount as at 31st March	**37,899,935**	50,664,120

25. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Motor vehicles Rs.	Total Rs.
Balance as at 01st April 2021	51,407,261	69,302,398	143,872,668	616,392	265,198,719
Additions during the year	22,660,133	24,491,770	11,279,400	-	58,431,303
Written off during the year	-	-	(3,199,300)	-	(3,199,300)
Disposals during the year	(596,009)	(1,169,930)	(356,915)	-	(2,122,854)
Balance as at 31st March 2022	73,471,385	92,624,238	151,595,853	616,392	318,307,868
Accumulated depreciation					
Balance as at 01st April 2021	30,965,709	42,997,537	129,087,258	342,845	203,393,349
Charge for the year	11,115,057	12,868,799	8,427,784	80,000	32,491,640
Written off during the year	-	-	(2,276)	-	(2,276)
On disposals	(596,009)	(1,169,930)	(314,711)	-	(2,080,650)
Balance as at 31st March 2022	41,484,757	54,696,406	137,198,055	422,845	233,802,063
Carrying amount as at 31st March 2022	31,986,628	37,927,832	14,397,798	193,547	84,505,805
Carrying amount as at 31st March 2021	20,441,552	26,304,861	14,785,410	273,547	61,805,370

NOTES TO THE FINANCIAL STATEMENTS

25.1. Property, plant and equipment included fully depreciated assets having a gross amount of Rs.78,547,576/- as at 31st March 2022. (31st March 2021 - Rs. 98,815,991/-).

25.2. There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2020/2021 -nil).

25.3. There were no restrictions on the title of the property, plant and equipment as at 31st March 2022.

25.4. There were no items of property, plant and equipment pledged as security as at 31st March 2022.

25.5. There were no temporary idle items of property, plant and equipment as at 31st March 2022.

As at 31st March	2022 Rs.	2021 Rs.
26. RIGHT-OF-USE-ASSETS		
Cost		
Balance at the beginning of the year	**190,558,576**	158,078,230
Addition made during the year	**22,305,237**	32,480,346
Balance at the end of the year	**212,863,813**	190,558,576
Accumulated amortisation		
Balance at the beginning of the year	**61,390,756**	29,183,673
Charge for the year	**35,976,983**	32,207,083
Balance at the end of the year	**97,367,739**	61,390,756
	115,496,075	129,167,820
27. INVESTMENT PROPERTIES		
Balance at the beginning of the year	**628,000,002**	538,250,002
Additions during the year	**23,500,000**	50,224,151
Fair value gain on investment properties	**10,650,000**	39,525,849
Balance at the end of the year	**662,150,002**	628,000,002

27.1. The details of lands and buildings

Location and address	Method of Valuation	No. of Buildings	Building Area (Sq.Ft)	Land Extent (Perches)	Fair Value as at 31st March 2022 (Rs.)	Fair Value as at 31st March 2021 (Rs.)
38, Station Road, Matara	Market Approach	1	9,400	37.8	**138,000,000**	130,000,000
197/4, Galle Road, Kalutara	Market Approach	1	36,141	39.87	**286,600,000**	283,000,000
Eluwila, Panadura	Market Approach	-	-	A1-R3-P22	**83,000,000**	90,000,000
3rd Lane, Pubudu Kreedangana Mawatha, Halbarawa, Malambe	Market Approach	1	2,623	R1-P11	**47,175,000**	45,000,000
Homagama, Kuruduwaththe Wala Kumbure Peellewa	Market Approach	-	-	1A-R3-P32	**39,500,000**	38,000,000
Katupotha, Dambulla	Market Approach	-	-	R1-P32.62	**22,875,000**	22,000,000
Kaluwarippuwa, Katana	Market Approach	-	-	A01-R1-P32	**21,500,000**	20,000,000
No.5675, Naigalawatta, Ibbankatuwa, Dambulla	Market Approach	-	-	1A-2R-P32.4	**23,500,000**	-
Total					**662,150,002**	628,000,002

27.2. The amounts recognised in profit or loss for rental income from investment properties and direct operating expenses arising from investment properties are as follows;

Location and address	No.of Buildings	Rental income from investment properties	Direct operating expense
38, Station Road, Matara	1	774,000	935,870
197/4, Galle Road, Kalutara	1	10,014,000	810,909

	2022 Rs.	2021 Rs.
28. DEPOSITS FROM CUSTOMERS		
Fixed deposits (Note 28.1)	**9,150,223,285**	8,642,382,922
Savings deposits	**54,039,728**	50,558,011
	9,204,263,013	8,692,940,933
28.1. Public deposits	**8,907,555,919**	8,376,159,628
Interest accrued	**242,667,366**	266,223,294
Public deposits at amortised cost	**9,150,223,285**	8,642,382,922

28.2. Rs.8,086,667,075/- (2020/2021 -Rs.6,880,497,933/-) of deposits from customers are expected to be matured within a 12 month period from the reporting date, 31st March 2022.

	2022 Rs.	2021 Rs.
29. INTEREST BEARING BORROWINGS		
Institutional borrowings (Note 29.1)	**3,773,455,991**	2,650,800,328
Commercial Papers	**101,403,260**	-
	3,874,859,251	2,650,800,328
29.1. Movement in institutional borrowings		
Balance at the beginning of the year	**2,568,850,933**	2,968,063,206
Obtained during the year	**6,865,119,911**	3,018,000,000
Payments made during the year	**(5,697,482,046)**	(3,417,212,273)
Balance before adjusting for amortised interest (Note 29.3)	**3,736,488,798**	2,568,850,933
Net effect on amortised interest payable (Note 29.3)	**36,967,193**	81,949,395
Balance at the end of the year	**3,773,455,991**	2,650,800,328
29.2. Interest bearing borrowings - Current and non-current		
Payable within one year	**2,229,231,943**	2,145,843,328
Payable after one year (1-5 years)	**1,645,627,308**	504,957,000
	3,874,859,251	2,650,800,328

NOTES TO THE FINANCIAL STATEMENTS

29.3. Institutional borrowings

Bank	Facility amount	Capital outstanding as at 31.03.2022	Finance cost payable as at 31.03.2022	Total payable at amortised cost as at 31.03.2022	Tenure of loan (months)
	Rs.	Rs.	Rs.	Rs.	
Long-term loans					
Union Bank PLC	825,000,000	**612,500,000**	**6,532,435**	**619,032,435**	48
Sampath Bank PLC	500,000,000	**458,320,000**	**4,534,760**	**462,854,760**	48
Hatton National Bank PLC	500,000,000	**474,800,000**	**4,503,545**	**479,303,545**	48
Sanasa Development Bank	50,000,000	**34,416,045**	**299,708**	**34,715,753**	24
Pan Asia Banking Corporation PLC	100,000,000	**10,913,568**	**149,501**	**11,063,069**	24
Bank of Ceylon	1,432,000,000	**590,499,975**	**5,822,466**	**596,322,441**	36
Cargills Bank PLC	650,000,000	**198,733,430**	**2,154,111**	**200,887,541**	36
Short-term loans - Revolving					
National Development Bank PLC	400,000,000	**400,000,000**	**3,658,288**	**403,658,288**	Revolving
Sampath Bank PLC	100,000,000	**100,000,000**	**910,466**	**100,910,466**	
Union Bank PLC	200,000,000	**200,000,000**	**1,854,794**	**201,854,794**	Revolving
Pan Asia Banking Corporation PLC	200,000,000	**200,000,000**	**1,950,027**	**201,950,027**	Revolving
Securitisation					
Hatton National Bank PLC	602,000,000	**308,611,105**	**2,608,779**	**311,219,884**	36
First Capital Trustee Services (Private) Limited	322,194,675	**147,694,675**	**1,988,313**	**149,682,988**	24
		3,736,488,798	**36,967,193**	**3,773,455,988**	

As at 31st March	2022	2021
	Rs.	Rs.
30. LEASE LIABILITY-RIGHT-OF-USE-ASSETS		
Balance at the beginning of the year	**104,375,186**	117,941,195
During the year additions	**22,305,237**	32,480,347
Interest charged for the year	**23,654,411**	21,289,888
Payment made during the year	**(73,674,667)**	(67,336,244)
	76,660,167	104,375,186
Payable within one year	**45,032,960**	32,125,850
Payable after one year	**31,627,207**	72,249,336
	76,660,167	104,375,186

As at 31st March	2022 Rs.	2021 Rs.
31. OTHER LAIBILITIES		
Vendor payable	**162,372,315**	191,907,480
Insurance payable	**45,518,469**	44,135,171
Accrued expenses and other payable	**287,012,614**	186,363,072
Real estate advances	**20,004,854**	12,481,244
	514,908,252	434,886,967

32. RETIREMENT BENEFIT OBLIGATIONS		
Balance at the beginning of the year	**39,804,738**	42,587,258
Amount recognised in the total comprehensive income (Note 32.1)	**5,978,915**	7,125,000
Payments during the year	**(1,679,673)**	(9,907,520)
Balance at the end of the year	**44,103,980**	39,804,738

32.1 The amount recognised in the total comprehensive income is as follows:		
Interest cost	**2,786,332**	4,133,038
Current service cost	**6,395,727**	2,761,549
Actuarial (gain) /loss recognised	**(3,203,144)**	230,413
	5,978,915	7,125,000

32.2. An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2022 by Actuarial and Management Consultants (Pvt) Ltd. The company has estimated its gratuity liability as at 31st March 2022 based on the forecast given by the actuarier using the census and assumptions as at 31st March 2022.

The principal assumptions used were as follows:

	2022	2021
Discount rate	**15.0%**	7.00%
Future salary increases	**10%**	8%
Staff turnover factor	**25%**	37%
Retirement age	**55 years**	55 years

32.3. Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the income statement and the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

NOTES TO THE FINANCIAL STATEMENTS

Increase/decrease in discount rate	Increase/decrease in salary increment	2021/2022 Sensitivity effect on income statement increase/ (reduction) in results for the year Rs.	2020/2021 Sensitivity effect on income statement increase/ (reduction) in results for the year Rs.
1%	-	**(1,236,124)**	(978,107)
-1%	-	**1,315,963**	1,034,673
-	1%	**1,523,253**	1,158,408
-	-1%	**(1,451,686)**	(1,114,942)

	2022 Rs.	2021 Rs.
33. STATED CAPITAL		
Ordinary shares (Note 33.1)	**2,431,879,039**	2,431,879,039
	2,431,879,039	2,431,879,039
No. of shares (Note 33.2)	**211,091,155**	211,091,155

33.1 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings at the company.

33.2 All ordinary shares rank equally with regard to the company's residual asset.

As at 31st March	2022 Rs.	2021 Rs.
34. STATUTORY RESERVE FUND		
At the beginning of the year	330,437,030	311,080,742
Transfer during the year	45,299,717	19,356,288
At the end of the year	375,736,747	330,437,030

34.1. Statutory reserve fund is a capital reserve which contains profits transferred as required by Section 3 (b) (i) of Finance Companies Capital Funds Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka.

	2022 Rs.	2021 Rs.
35. REVALUATION RESERVE		
At the beginning of the year	141,120,773	141,120,773
At the end of the year	141,120,773	141,120,773

36. FINANCIAL REPORTING BY SEGMENTS

Business Segments

The company has five reportable segments, as described below, which are the company's strategic divisions. The strategic divisions offer different products and services, which are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the company's management reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the company's reportable segments.

a) Hire purchase, finance leasing- Provision of hire purchase and leasing facilities to customers
b) Loans - Provision of loan facilities to customers
c) Factoring - Debt factoring
d) Pawning - Provision of loans against gold
e) Others

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	Finance leases, Hire purchases		Loans	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Interest income	**1,946,542,127**	1,792,099,417	**151,428,161**	153,740,816
Fee and commission income	**64,879,926**	77,371,335	**-**	3,109,202
Other income	**81,498,103**	54,497,653	**-**	-
Total segmental income	**2,092,920,156**	1,923,968,405	**151,428,161**	156,850,018
Less: Interest expense	**(816,453,959)**	(959,058,164)	**(59,072,546)**	(78,186,466)
Segmental results	**1,276,466,197**	964,910,241	**92,355,615**	78,663,552
Depreciation and amortisation	**(57,201,156)**	(49,670,072)	**(4,138,651)**	(4,049,314)
Impairment charge	**(57,045,226)**	(9,022,286)	**(69,824,350)**	(45,150,930)
Other expenses	**(707,126,008)**	(648,963,896)	**(51,162,387)**	(52,906,273)
Value Added Tax and NBT on financial services	**(105,458,725)**	(47,666,405)	**(7,630,210)**	(3,885,966)
Profit after tax	**349,635,081**	209,587,582	**(40,399,983)**	(27,328,931)
Segmental assets	**10,191,880,202**	9,953,838,908	**1,180,388,254**	1,161,026,946
Segmental liabilities	**8,276,291,299**	8,023,810,476	**958,531,384**	935,906,263

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

As At 31st March 2022	Less than 3 months Rs.	3-12 months Rs.	1-3 years Rs.
ASSETS			
Cash and cash equivalents	296,439,735	-	-
Financial assets at fair value through other comprehensive income	725,704,749	-	-
Loans and receivables to customers	4,215,775,000	2,729,798,998	4,789,634,290
Investments with banks and oher financial institutions	-	242,460,738	-
Other assets	255,411,952	-	-
Real estate stock	-	9,338,093	-
Deferred tax asset	-	-	-
Brand value	-	-	-
Goodwill	-	-	-
Intangible assets	-	-	-
Property, plant and equipment and right-of-use of assets	-	-	-
Investment properties	-	-	-
Total assets	5,493,331,436	2,981,597,829	4,789,634,290
LIABILITIES			
Bank overdrafts	680,571,641	-	-
Deposits from customers	3,682,788,075	4,403,879,000	990,226,000
Interest bearing borrowings	337,644,459	1,891,587,484	1,148,393,248
Lease Liability - Right-of- use assets	10,997,176	34,035,784	22,849,783
Other liabilities	494,903,398	20,004,854	-
Retirement benefit obligations	-	-	-
	5,206,904,749	6,349,507,122	2,161,469,031
Maturity Gap	286,426,688	(3,367,909,293)	2,628,165,259

	Factoring		Pawning		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	3,927,145	18,280,832	**538,264,885**	429,681,125	**69,006,865**	47,241,809	**2,709,169,183**	2,441,043,999
	2,062,165	1,921,243	**-**	-	**35,162,583**	40,131,713	**102,104,674**	122,533,493
	-	-	**-**	-	**79,436,897**	57,646,736	**160,935,000**	112,144,389
	5,989,310	20,202,075	**538,264,885**	429,681,125	**183,606,345**	145,020,258	**2,972,208,857**	2,675,721,881
	(2,336,446)	(10,070,313)	**(209,978,625)**	(214,187,088)	**(71,625,344)**	(72,289,577)	**(1,159,466,921)**	(1,333,791,609)
	3,652,864	10,131,762	**328,286,260**	215,494,037	**111,981,001**	72,730,681	**1,812,741,936**	1,341,930,272
	(163,692)	(521,546)	**(14,711,203)**	(11,092,850)	**(5,018,106)**	(3,743,911)	**(81,232,809)**	(69,077,693)
	(7,775,165)	(44,599,390)	**11,268,881**	(11,691,955)	**(1,163,965)**	-	**(124,539,825)**	(110,464,561)
	(2,023,582)	(6,814,258)	**(181,861,261)**	(144,933,532)	**(62,034,293)**	(48,916,038)	**(1,004,207,532)**	(902,533,998)
	(301,791)	(500,507)	**(27,122,262)**	(10,645,370)	**(9,251,615)**	(3,592,884)	**(149,764,640)**	(66,291,132)
	(6,611,367)	(42,309,939)	**115,860,414**	37,130,330	**34,513,021**	16,477,848	**452,997,166**	193,562,888
	111,235,136	148,784,116	**3,582,516,137**	2,224,732,482	**2,661,225,910**	1,400,536,168	**17,727,245,637**	14,888,918,620
	90,328,219	119,935,189	**2,909,173,435**	1,793,361,532	**2,161,041,967**	1,128,975,150	**14,395,366,304**	12,001,988,610

	3-5 years	Over 5 years	Total	
			2022	2021
	Rs.	Rs.	Rs.	Rs.
	-	-	**296,439,735**	225,161,509
	-	-	**725,704,749**	849,632,814
	2,382,063,539	9,000,140	**14,126,271,967**	11,447,030,340
	-	-	**242,460,738**	31,684,600
	-	-	**255,411,953**	269,749,727
	-	-	**9,338,093**	24,764,518
	371,600,809	-	**371,600,809**	370,832,054
	-	235,880,000	**235,880,000**	235,880,000
	-	564,545,746	**564,545,746**	564,545,746
	-	37,899,935	**37,899,935**	50,664,120
	-	200,001,880	**200,001,880**	190,973,190
	-	662,150,002	**662,150,002**	628,000,002
	2,753,664,348	1,709,477,703	**17,727,705,607**	14,888,918,620
	-	-	**680,571,641**	79,180,458
	127,396,938	-	**9,204,263,013**	8,692,940,933
	497,234,061	-	**3,874,859,251**	2,650,800,328
	8,777,424	-	**76,660,167**	104,375,186
	-	-	**514,908,252**	434,886,967
	-	44,103,980	**44,103,980**	39,804,738
	633,381,422	44,103,980	**14,395,366,304**	12,001,988,610
	2,120,282,926	1,665,373,723		

NOTES TO THE FINANCIAL STATEMENTS

38. RELATED PARTY TRANSACTIONS

The company carries out transactions in the ordinary course of the business with parties who are defined as related parties according to Sri Lanka Accounting Standard, LKAS 24 “ Related Party Disclosures”, the details of which are reported below.

38.1. Parent and ultimate controlling party

The parent and ultimate controlling party of the company is Janashakthi Limited.

38.2. Transactions with key management personnel

According to LKAS 24, “Related Party Disclosures”, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the board of directors (Including executive and non-executive directors) and their immediate family members have been classified as key management personnel of the company.

The company has paid Rs. 7,500,000/- (2020/2021 -Rs. 5,175,000/-) to the directors as emoluments, of which all are comprised of short term employment benefits and no post-employment benefits have been paid during the year (2020/2021 – Nil). There are no direct transactions, arrangements and agreements involving key management personnel of the company other than disclosed in other related party transactions.

The company accepts and holds fixed deposits from key management personnel and their relatives in the normal course of its business and the amount outstanding on such deposits as at 31st March 2022 is Rs.30,000,000/- (2020/2021- Rs.123,250,000/-).

38.3. Other related party transactions

The following transactions have been carried out with related parties during the year ended 31st March 2022.

38.3.1. Recurrent related party transactions

Company	Relationship	Nature of transactions	Aggregate value of related party transactions entered in to during the financial year 2022 Rs.	Aggregate value of related party transactions as a % gross revenue/ income	Terms and conditions of the related party transactions
Janashakthi Insurance PLC	Affiliate	Rent and utility paid	(12,222,438)	-0.72%	As per the rent agreements
		Payments for Inhouse insurance policies of Staff	(19,244,556)	-1.14%	As per the insurance policies
		Rent income received	1,548,000	0.09%	As per the rent agreements
		Life insurance payments for customers	(14,332,405)	-0.85%	As per the insurance policies
Orient Capital Limited	Affiliate	Reimbursement of collections on assigned debtors	(3,721,798)	-0.22%	As per the agreements
Kelsey Homes (Private) Limited	Affiliate	Repayment of loans	34,588,136	1.16%	As per the agreements

Company	Relationship	Nature of transactions	Aggregate value of related party transactions entered in to during the financial year 2022 Rs.	Aggregate value of related party transactions as a % gross revenue/ income	Terms and conditions of the related party transactions
First Capital Limited	Affiliate	Obtained business loan			As per the agreements
		Repayment of loans	**662,000,000**	39.21%	As per the agreements
KHL Corporate Services Limited	Affiliate	Payments for secretary function	**(503,082)**	-0.03%	As per the agreements
First Capital Holding PLC	Affiliate	Professional charges for drafting legal agreements	**(240,000)**	-0.01%	As per the agreements
Janashakthi Limited	Parent	Guarantee fee and reimburesement of salary, EPF and ETF	**(724,114)**	-0.04%	As per the agreements

38.3.2. Non-recurrent related party transactions

The company has entered in to following non-recurrent related party transactions which are below the specified threashold as given under CSE listing rules.

Transactions - Statements of Comprehensive Income (from 1st April 2021 to 31st March 2022)

Name of the related parties	Relationship	The rationale for entering into the transaction	Value of related party transaction entered during Rs.
First Capital Money Market Fund	Affiliate	Virtual talent show reimbursement	269,820

39. CAPITAL COMMITMENTS

The company does not have material capital commitments outstanding as at the reporting date.

40. CONTINGENT LIABILITIES

The company does not anticipate any contingent liabilities to arise out of any contingent events as at the reporting date except as disclosed below:

The Inland Revenue Department has issued assessments on Value Added Tax on Financial Services amounting to Rs. 220,179,240/- (including penalties of Rs. 93,307,847/-) and the Board of Directors is confident that there will not be any additional tax liability on that.

41. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under the note No.29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Funding Institution	Nature of assets	Nature of liability	Balance outstanding as at 31st March 2022	Value of assets pledged (Rs.)	Included under
Bank of Ceylon	Lease Receivable	POD	**46,997,877**	50,000,000	Future Rental Receivable
Commercial Bank of Ceylon PLC	Lease Receivable	POD	**210,760,559**	195,000,000	Future Rental Receivable
Hatton National Bank PLC	Lease Receivable	POD	**48,396,460**	25,000,000	Future Rental Receivable
National Development Bank PLC	Lease Receivable	POD	**24,913,809**	25,000,000	Future Rental Receivable
Peoples Bank	Lease Receivable	POD	**74,109,067**	75,000,000	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	POD	**74,047,753**	75,000,000	Future Rental Receivable
Seylan Bank PLC	Lease Receivable	POD	**27,543,201**	85,000,000	Future Rental Receivable
DFCC Bank PLC	Lease Receivable	POD	**75,254,263**	75,000,000	Future Rental Receivable
Cargills Bank PLC	Lien over Savings Account Balance	POD	**49,938,394**	50,000,000	Lien over Savings A/C Balance
Union Bank of Colombo PLC	Lease Receivable	POD	**48,610,258**	25,000,000	Future Rental Receivable
Hatton National Bank PLC - Trust 02	Lease Receivable	Securitisation	**6,611,105**	300,000,000	Future Rental Receivable
Hatton National Bank PLC - HNB Trust 05	Lease Receivable	Securitisation	**302,000,000**	302,000,000	Future Rental Receivable
First Capital Treasuries PLC - Trust 01	Lease Receivable	Securitisation	**90,000,000**	138,000,000	Future Rental Receivable
First Capital Treasuries PLC - Trust 02	Gold Loan Receivable	Securitisation	**57,694,675**	184,194,675	Future Rental Receivable
National Development Bank PLC	Lease Receivable	Short Term Revolving	**400,000,000**	400,000,000	Future Rental Receivable
Pan Asia Banking Corporation PLC	Lease Receivable	Short Term Revolving	**200,000,000**	200,000,000	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	Short Term Revolving	**100,000,000**	100,000,000	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	Short Term Revolving	**200,000,000**	**200,000,000**	Future Rental Receivable
Cargills Bank PLC	Lease Receivable	Term Loan	**198,733,430**	650,000,000	Future Rental Receivable
Bank of Ceylon	Lease Receivable	Term Loan	**590,499,978**	1,432,000,000	Future Rental Receivable
Pan Asia Banking Corporation PLC	Lease Receivable	Term Loan	**10,913,568**	100,000,000	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	Term Loan	**458,320,000**	500,000,000	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	Term Loan	**612,500,000**	825,000,000	Future Rental Receivable
Sanasa Bank	Lease Receivable	Term Loan	**34,416,045**	50,000,000	Future Rental Receivable
Hatton National Bank PLC	Lease Receivable	Term Loan	**474,800,000**	500,000,000	Future Rental Receivable

41.1. In the ordinary course of the business, the company entered into transactions that resulted in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

41.2. The company has transferred future rental receivable of lease and hire purchases, but has retained substantially all of the credit risks associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within lease rental receivable and stock out on hire.

42. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Sri Lanka is currently experiencing an economic crisis due to depletion of foreign currency reserves and balance of payments issues. As a result, most industries, including finance industry face an unprecedented level of challenges for future operations and consequent earnings over the foreseeable future. However, the management is confident that the company will be able to successfully navigate through the crisis due the strong loan portfolio which comprises mainly on Gold financing and the prudent decision making process which has ensured the stringent cost management of our operations. The strength and the experience of our parent Company is an added comfort to our organization, which will ensure continued support during this challenging period. Therefore, no adjustment is required to the balances reported in these financial statements.

Other than the above, no circumstances have arisen since the reporting date which would require adjustments or disclosure in the financial statements.

43. PENALTIES IMPOSED BY THE CENTRAL BANK OF SRI LANKA

Financial Intelleigence Unit of the Central Bank of Sri Lanka has imposed a penalty amounting to Rs. 1,000,000/- on violation of Financial Transactions Reporting Act No. 06 of 2006" and which has been paid on 21st October 2021 and Deposit Insurance premium Penalty amount to Rs.81.38/- paid on 14th March 2022.

44. COMPARATIVE INFORMATION

Comparative information of the financial statements has been re-classified wherever necessary to conform to the current year's presentation/classification.

45. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these financial statements.

46. NUMBER OF EMPLOYEES OF THE COMPANY AS AT THE YEAR END

The number of employees of the company as at 31st March 2022 is 495 (2021-441).

47. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:-

Level 1 :- Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 :- Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 :- Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

NOTES TO THE FINANCIAL STATEMENTS

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets - fair value through other comprehensive income				
Government securities	675,932,843	-	-	675,932,843
Investments in unquoted shares	-	230,600	-	230,600
Investments in quoted shares	49,541,306	-	-	49,541,306
	725,474,149	230,600	-	725,704,749

48. FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The following table summarises the carrying amounts and the company's estimate of fair values of those financial assets and liabilities not presented on the company's statement of financial position at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values in the table below may be different from the actual amounts that will be received/ paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions which are not observable in the market.

As at 31st March	2022		2021	
	Carrying Value (Rs.)	Fair Value (Rs.)	Carrying Value (Rs.)	Fair Value (Rs.)
ASSETS				
Cash and cash equivalents	**296,439,735**	**296,439,735**	225,161,509	225,161,509
Loans and receivables to customers	**14,125,811,999**	**14,125,811,999**	11,447,030,340	11,447,030,340
Investments with banks and other financial institutions	**242,460,738**	**242,460,738**	31,684,600	31,684,600
	14,664,712,472	**14,664,712,472**	11,703,876,449	11,703,876,449
LIABILITIES				
Bank overdrafts	**680,571,641**	**680,571,641**	79,180,458	79,180,458
Deposits from customers	**9,204,263,013**	**9,204,263,013**	8,692,940,933	8,692,940,933
Interest bearing borrowings	**3,874,859,251**	**3,874,859,251**	2,650,800,328	2,650,800,328
	13,759,693,905	**13,759,693,905**	11,422,921,719	11,422,921,719

Given below is the methodologies and assumptions used in fair value estimates.

Cash and cash equivalents

The carrying amounts of cash and cash equivalents, approximate their fair value as those are short-term in nature and are receivable on demand.

Investments with banks and other financial institutions

The carrying amounts of fixed deposits with banks and other reverse repurchase agreements, approximate their fair value as those are short-term in nature. Almost all of these balances have a remaining maturity of less than six months from the reporting date.

Loans and receivables to customers

Fair value of the loans and receivables to customers is the present value of future cash flows expected to be received from such loans and receivables calculated based on interest rates at the reporting date for similar types of loans and receivables. The company calculated the fair value of the loans and receivables to customers based on interest rates at the reporting date for similar types of loans and receivables. Accordingly, fair value of such loans does not materially differ from its carrying value amounting to Rs. 14,125,811,998/-.

Bank overdrafts

The carrying amounts of bank overdrafts, approximate their fair value as those are short-term in nature.

Deposits from customers

More than 87% of the customer deposits have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre-mature uplift. Amounts paid to customers in the event of pre-mature uplift would not be materially different to its carrying value as at the reporting date. Therefore, fair value of customer deposits approximates their carrying value as at the reporting date.

Interest bearing borrowings

Interest bearing borrowings include both the fixed rate and floating rate borrowings. Floating rate borrowings represent nearly 86% of the portfolio. Accordingly, carrying value of the floating rate borrowings approximate their fair values as at the reporting date. Rest of the borrowings has a remaining contractual maturity of less than one year. Therefore, fair value of interest bearing borrowings approximate the carrying value as at the reporting date.

49. FINANCIAL RISK MANAGEMENT

Risk is the most important factor considered in the strategic decision making process at Orient Finance PLC. Therefore, all possible risks are properly evaluated before taking any strategic or operational decision and the best options which minimise the risk are chosen. Risk management framework of the company is discussed in detail in this report. The major categories of financial risks are;

1 Credit risk
2 Liquidity risk
3 Operational risk
4 Market Risk

49.1. Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans and advances to customers. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its company's credit committee. The company's credit department, reporting to the company's credit committee, is responsible for management of the company's credit risk, including:

I Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
II Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by the company's credit committee or the Board of Directors as appropriate.
III Reviewing and assessing credit risk - company's credit division assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
IV Limiting concentrations of exposure to counterparties, geographies and industries.
V Providing advice, guidance and specialised skills to business units to promote best practices throughout the company in the management of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

VI During the early stages COVID-19 Pandemic, the company conducted an in-depth analysis on the probable industries which would get affected and the scale of impact it may have on the company's lending portfolio. The spread of COVID-19 in Sri Lanka stressed the importance of diversification of the company's lending portfolio across a wide range of industries which in turn would ensure the resilience of the company in an economic shock of this nature. The company is comfortable with the existing composition of its loan portfolio and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky economic segments.

Regular audits of business units and the company's credit processes are evaluated by internal audit.

As at 31 March	2022 Rs	2021 Rs
Loans and advance to customers		
Carrying amount at amortised cost		
Individually significant impaired loans and advances (Note 49.1.1)	**2,912,312,171**	3,142,569,589
Carrying amount of unimpaired loans and advances (Note 49.1.2)	**11,213,499,828**	8,304,460,751
	14,125,811,999	11,447,030,340
49.1.1. Individually significant impaired loans and advances		
Gross receivable	**3,382,251,486**	3,836,781,884
Allowance for impairment	**(469,939,315)**	(694,212,295)
Individually significant impaired loans and advances	**2,912,312,171**	3,142,569,589
49.1.2.Unimpaired Loans and Advances		
Gross receivable	**11,680,056,899**	8,652,411,355
Allowance for collective impairment	**(466,557,071)**	(347,950,604)
Carrying amount of unimpaired loan advances	**11,213,499,828**	8,304,460,751

Write-off policy

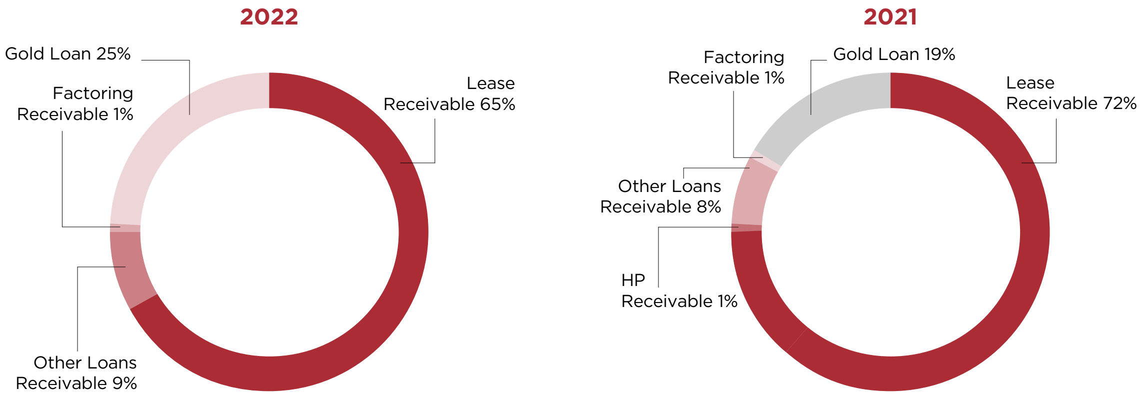
The company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the company's recovery division determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position so that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Concentration of credit risk

The company monitors concentrations of credit risk by sector and by geographic location.

An analysis of concentrations of credit risk from loans and advances and investment securities at the reporting date is shown below:

Product concentration



49.1.3. Collateral and other credit enhancement

The below table provides an analysis of the current fair values of collateral held and credit enhancements for stage 1 to 3 assets. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by CBSL.

As at March 2022	Maximum Exposure to Credit risk	Fair Value of Collateral under base case Scenario				
		Immovable Collateral	Movable Collateral	Total Collateral	Net Exposure	Associated ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stage 01	6,942,274,198	-	-	-	6,942,274,198	227,858,576
Stage 02	1,345,948,289	-	-	-	1,345,948,289	195,107,722
Stage 03	6,774,085,897	516,092,252	1,352,478,000	1,868,570,252	4,905,515,645	513,530,088
	15,062,308,384	516,092,252	1,352,478,000	1,868,570,252	13,193,738,132	936,496,386

49.2. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities to ensure that sufficient liquidity is maintained within the company as a whole.

NOTES TO THE FINANCIAL STATEMENTS

The daily liquidity position is monitored and regular liquidity stress testing conducted under a variety of scenarios covering both the normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the company and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO which in turn submit monthly summary to the Board.

The company relies on deposits from customers and bank borrowings as its primary sources of funding. While the company's debt securities and subordinated liabilities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the company's liquidity risk and the company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends and maintaining unutilised credit lines.

Exposure to liquidity risk

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the following month. A similar, but not identical, calculation is used to measure the company's compliance with the liquidity limit established by the company's lead regulator, CBSL. Details of the reported company ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

As at 31st March	2022 Rs	2021 Rs
Time deposits	**9,150,223,285**	8,642,382,922
Saving deposits	**54,039,728**	50,558,011
Unsecured borrowings	**169,948,000**	6,172,000
Available liquid assets	**1,214,833,316**	1,039,757,323
Cash in hand	**230,339,894**	138,317,736
Balances in current accounts (favourable)	**66,099,841**	86,843,773
Deposits in commercial banks	**242,460,738**	31,718,600
Approved securities	**675,932,843**	782,877,214
Average month-end deposit liabilities	**8,764,188,000**	9,588,651,000
Average month-end outstanding borrowings	**20,930,000**	1,093,273,000
	8,785,118,000	10,681,924,000
Required minimum amount of liquid assets	**940,123,088**	872,439,194
10% of fixed deposits	**915,022,329**	864,238,292
15% of savings deposits	**8,105,959**	7,583,702
10% of unsecured borrowings	**16,994,800**	617,200
Required minimum amount of approved securities	**658,883,850**	518,302,081

Period 1/4/2021 to 31/03/2022, fixed deposit 7.5%, borrowing 7.5% and savings deposit 10%

Maturity analysis for financial liabilities

Contractual maturity of the assets and the liabilities of the company is disclosed in the note 37 to the financial statements.

To manage the liquidity risk arising from financial liabilities, the company holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

49.3. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Compliance with company standards is periodically reviewed by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the audit committee and senior management of the company.

Capital Management

The company manages its capital base to comply with regulatory capital requirements and to maintain a solid fund base.

CBSL has set minimum capital requirements for the finance companies as discussed below:

Tier 1 Capital, which includes stated capital, perpetual bonds (which are classified as innovative tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and

Tier 2 Capital, which includes qualifying subordinated liabilities, collective impairment allowances (limited to those credit portfolios where the standardised approach is used under Basel II) and the element of the fair value reserve relating to unrealised gains/losses on equity instruments measured at fair value through other comprehensive income.

According to these regulations, the minimum capital requirement under Tier 1 is 6.5% of the total risk weighted assets and Tier 2 is 10.5% of the total risk weighted assets.

The company's Capital Adequacy Ratios as at 31 March 2022 were 11.03% (2021 - 9.71%) and 12.02% (2021 - 11.13%) for Tier I and Tier II respectively.

49.4. Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. As the company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk to the company.

This risk is reviewed periodically by ALCO and by the Integrated Risk Management Committee.

Market risk is identified by the company as the possibility of loss to the company caused by changes in the market variables. Market risk mainly includes interest rate risk, liquidity risk, foreign exchange risk and country risk.

49.4.1. Interest rate risk

Interest rate risk is the potential negative impact on the net interest income based on rate fluctuations and impact to the profitability of the company. The movements in interest rates expose to fluctuations in Net Interest Income (NII) and have the potential to impact the underlying value of interest earning assets and interest-bearing liabilities and off-balance sheet items. The main types of IRR to which the company is exposed to are repricing risk, yield curve risk and basis risk. The company does not have variable interest rates and all facilities granted are on fixed interest rates. The global outbreak of the COVID-19 pandemic has resulted in consecutive reductions in policy rates and monetary easing policies by the Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

NOTES TO THE FINANCIAL STATEMENTS

When all borrowings and lending are done on fixed rates the net interest margin is affected due to the following reasons:

Maturity mismatch/GAP

One of the major concerns in financial business is the maturity mismatch, where the average loan period is over 2 years whilst the average deposit period is less than one year. Hence, where the interests are on an increasing trend the company's net interest margin will reduce.

Please refer note 37 to the financial statements for the maturity analysis.

Re-Investment risk

These are uncertainties with regard to the interest rate at which the future cash flows could be re-invested. On an increasing trend, this would be beneficial for the company.

Net interest position

When the market rates are on a downward trend and the company's earning assets are higher than its liabilities, the risk of net interest position falling is high.

49.4.2. Liquidity risk

Liquidity is the ability to efficiently accommodate deposits as reduction in liabilities as well and to fund the loan growth and possible funding of the off-balance sheet claims. Liquidity risk arises through maturity mismatch of loans and deposits.

The company considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of company-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

49.4.3. Foreign exchange (FOREX) and country risk

FOREX is the risk that finance companies may suffer loss as a result of adverse exchange rate movements. Country risk is the risk that arises due to cross border transactions. The uncertainty caused by the COVID 19 pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, since Orient Finance PLC does not have any foreign borrowings or foreign transactions overseas except for Oracle financials licensing fee, the company concludes that COVID-19 impact on FOREX is not substantial on the company to conduct in-depth analysis. However, there is a slight impact when budgeting for this cost. The above risks are triggered by the treasury operations.

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ANNEXES

TEN YEAR ACHIEVEMENTS

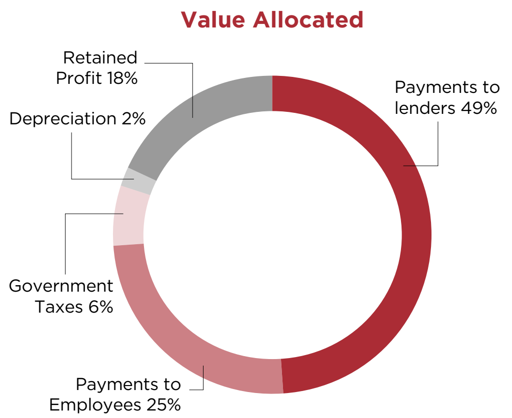
For the year ended 31st March	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000
Operating Results				
Income	**2,972,209**	2,675,722	3,285,238	3,493,414
Interest Income	**2,709,169**	2,441,044	3,052,678	3,239,038
Interest Expenses	**(1,159,467)**	(1,333,792)	(1,799,708)	(1,949,919)
Net Interest Income	**1,549,702**	1,107,252	1,252,970	1,289,119
Operating Expenses & Provisions	**(1,359,745)**	(1,148,367)	(1,922,877)	(1,511,619)
Profit Before Income Tax	**452,997**	193,563	(437,347)	31,875
Income Tax on Profit	**-**	-	-	(2,846)
Profit for the year	**452,997**	193,563	(437,347)	29,029
Balance Sheet Information				
Assets				
Loans & Advances to Customers	**14,125,812**	11,447,030	12,339,298	14,033,760
Financial Investments - Held to Maturity			-	-
Financial Investments - Available for Sale	**725,705**	849,633	934,478	936,940
Cash and Cash Equivalents	**296,440**	225,162	70,618	181,742
Property, Plant & Equipment and Investment Assets	**746,656**	740,469	613,431	478,764
Other Assets	**1,832,633**	1,626,680	1,679,713	1,728,438
Total Assets	**17,727,246**	14,888,974	15,637,538	17,359,644
Liabilities				
Deposits from Customers	**9,204,263**	8,692,941	9,020,632	10,479,531
Borrowings	**4,555,431**	2,729,981	3,038,038	2,091,869
Debentures and Preference Shares		-	-	1,524,483
Other Liabilities	**653,961**	579,067	868,655	1,097,261
Total Liabilities	**14,395,366**	12,001,989	12,927,326	15,193,144
Capital Employed				
Stated Capital	**2,431,879**	2,431,879	2,431,879	1,378,690
Retained Profit & Reserve Fund	**900,000**	455,051	278,331	787,810
Total Capital Employed	**3,331,879**	2,886,930	2,710,210	2,166,500
RATIOS AND RELATED INFORMATION				
Operating Ratios				
ROE	**14.57%**	6.92%	-17.94%	1.29%
ROA- Before Tax	**2.78%**	1.27%	-2.65%	0.18%
Gross Profit Margin	**52.14%**	41.38%	38.14%	36.90%
Net Profit Margin	**15.24%**	7.23%	-13.31%	0.83%
Income Growth	**11.08%**	-18.55%	-5.96%	-0.08%
Profit Growth	**134%**	226.00%	-1606.59%	-126.33%
Assets Growth	**19.06%**	-4.79%	-9.92%	-4.17%
Net Assets Growth	**14.78%**	6.52%	25.10%	-7.75%
Gearing Ratios				
Debt to Equity - Times	**4.15**	3.96	4.45	6.51
Interest Cover - Times	**1.39**	1.15	0.76	1.02
Investor Ratios				
Basic earnings per share - (Rs.)	**2.15**	0.92	(3.06)	0.20
Net assets value per share - (Rs.)	**15.78**	13.68	12.84	14.64
Dividend per share - (Rs.)	**0**	-	-	-
Dividend Cover - Times	**N/A**	N/A	N/A	N/A
Dividend Payout ratio	**0.00%**	0.00%	0.00%	0.00%

	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
	3,496,109	3,309,736	2,363,152	1,362,664	1,605,010	1,552,160
	3,311,049	3,128,709	2,229,746	1,283,087	1,465,703	1,336,170
	(2,116,907)	(1,836,496)	(1,096,453)	(805,279)	(1,039,248)	(964,202)
	1,194,142	1,292,213	1,133,293	477,807	426,455	371,969
	(1,482,920)	(1,171,760)	(970,838)	(553,203)	(495,380)	(566,782)
	(103,718)	301,479	295,861	4,182	70,381	21,177
	(6,528)	(43,803)	311,012	-	(13,014)	(13,625)
	(110,246)	257,676	606,873	4,182	57,367	7,552
	14,504,334	16,416,103	13,839,304	4,987,749	5,615,826	5,323,316
	-	-	-	-	1,165,133	1,061,579
	945,559	839,887	756,124	592,105	11,120	186,024
	195,581	107,894	231,678	194,035	200,985	161,989
	415,618	421,315	438,736	446,864	533,064	292,713
	2,054,602	1,664,830	1,846,840	585,231	334,015	677,506
	18,115,694	19,450,029	17,112,682	6,805,984	7,860,144	7,703,127
	11,852,625	9,565,559	9,249,312	5,746,847	6,463,960	5,747,762
	1,806,790	4,815,150	3,262,738	31,760	378,751	923,320
	1,454,471	1,392,671	1,176,913	204,000	204,000	204,000
	653,390	1,176,922	1,180,738	253,377	252,020	323,997
	15,767,276	16,950,302	14,869,701	6,235,984	7,298,731	7,199,080
	1,378,690	1,378,690	1,378,690	306,025	306,025	306,025
	969,728	1,121,037	864,291	263,974	255,388	198,021
	2,348,418	2,499,727	2,242,981	569,999	561,413	504,046
	-4.53%	10.87%	43.15%	0.74%	10.77%	1.60%
	-0.55%	1.65%	2.47%	0.06%	0.90%	0.29%
	34.16%	39.04%	47.96%	35.06%	26.57%	23.96%
	-3.14%	7.79%	25.68%	0.31%	3.57%	0.49%
	5.63%	40.06%	73.42%	-15.10%	3.40%	31.68%
	-142.64%	-57.54%	14412.19%	-92.71%	659.63%	-89.81%
	-6.86%	13.66%	151.44%	-13.41%	2.04%	10.22%
	-6.05%	11.45%	293.51%	1.53%	11.38%	14.63%
	6.44	6.31	6.10	10.50	12.55	13.64
	0.95	1.16	1.27	1.01	1.07	1.02
	(0.74)	1.74	7.00	0.05	7.50	0.99
	15.87	16.89	15.15	7.45	73.38	65.88
	0.25	-	-	-	-	0.76
	N/A	N/A	N/A	N/A	N/A	1.30
	-33.68%	0.00%	0.00%	0.00%	0.00%	76.99%

STATEMENT OF VALUE ADDED

The generation of positive value added is a major objective of Orient Finance PLC for the sustainability of our business. We have created more values in the financial year 2021/22 than last year for the benefits of Orient Finance PLC stakeholders.

		Year 2022 LKR Mn	Year 2021 LKR Mn
	Gross Value added	**2,972**	2,676
	Cost of services	**(401)**	(239)
	Provision for Impairment Losses	**(125)**	(110)
		2,447	2,326
Value Allocated			
Payments to lenders	Interest Expenses	**1,187**	1,597
Payments to Employees	Employee Salaries and benefits	**605**	400
Dividends to shareholders	Dividends	**-**	-
Government Taxes	Tax payments	**156**	69
Depreciation	Operation cost	**45**	69
Retained Profit	Value creation retained	**453**	194
		2,447	2,326



SHARE INFORMATION

1. STOCK EXCHANGE LISTING

Orient Finance PLC has listed its shares on the Diri Savi Board of the Colombo Stock Exchange by way of an Initial Public Offering on 18th February 2016.

Stock Exchange code for Orient Finance PLC shares is "BFN".

2. SHAREHOLDERS INFORMATION

There were 848 registered Voting Shareholders as at 31st March 2021 (2019/2020 - 1056) distributed as follows.

Range	As at 31st March 2022			As at 31st March 2021		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1-1000	**486**	**86,526**	**0.040**	507	100,575	.069
1,001 - 10,000	**163**	**714,214**	**0.340**	186	766,901	.558
10,001 – 100,000	**108**	**3,701,875**	**1.750**	120	3,846,927	2.651
100,001 – 1,000,000	**30**	**8,449,747**	**4.000**	31	8,237,959	2.857
Over 1,000,000	**4**	**198,148,793**	**93.860**	4	198,148,793	93.864
Total	**791**	**211,101,155**	**100.00**	848	211,101,155	100.00

Analysis of Share Holders

As at 31st March	2022		2021	
	No of Shares	% of Shares	No of Shares	% of Shares
Residents	**210,737,406**	**99.820**	209,897,622	99.420
Non-Residents	**363,749**	**0.170**	1,203,533	.570

Public Holding

Public Holding as at 31st March 2022 - 12,952,342

Number of Public Shareholders as at 31st March 2022 is 792

Public Holding of issued number of shares as at 31 March 2022 is 6.14%

Float adjusted market capitalisation (Rs) 168,500,942

According to the option 2 of 7.13.1 (b) of the listing rules the company is non-compliant with the minimum public holding requirement as at 31 March 2019. The company is in the process of taking corrective actions.

3. SHARE PRICE INFORMATION

	2021/22 (Rs.)	2020/21 (Rs.)
Highest	**22.50**	18.00
Lowest	**12.00**	11.70
Close	**13.00**	11.77

4. INVESTOR RATIOS

As at 31 March	2022 (Rs.)	2021 (Rs.)
Book Value	**15.78**	13.67
EPS	**2.15**	0.92
Price Earnings Ratio	**5.36**	12.79

SHARE INFORMATION

5. DIRECTORS INTEREST IN SHARES

The number of shares held by the Directors as at 31st March

	2022	2021
Mr. Prakash Anand Schaffter	10	10
Ms. Minette D. A. Perera	-	-
Ms. Indrani Goonesekara	-	-
Mr. Ramesh Schaffter	10	10
Mr. Sriyan Cooray	-	-
Mr. K.M.M. Jabir	-	-
Mr. R.M.D.J. Ratnayake	-	-
Mr. Nalin Karunarathne	-	-
	20	20

6. CHIEF EXECUTIVE OFFICER'S /DIRECTOR SHAREHOLDING

	2022	2021
Mr. K.M.M. Jabir	-	-

7. TOP 20 SHAREHOLDERS AS AT 31ST MARCH 2022

Name	No. of Shares	%
Janashakthi PLC	196,010,494	92.85
First Capital PLC	2,138,299	1.013
Hatton National Bank PLC/ Sashimaal Ruhash Fernando	838,681	0.397
Mr. A. Rajaratnam	704,183	0.334
Seylan Bank PLC/Mohamed Mushtaq Fuad	552,540	0.262
Hatton National Bank PLC/ Mushtaq Mohamed Fuad	500,452	0.237
Mr. R.A.B.K. Kumara	500,000	0.237
Seylan Bank PLC/Imiya Pathirannehalage Indrani Lalitha Gunathilaka	406,750	0.193
LOLC Finance PLC/V.S.Rajasooriyar	375,000	0.178
Mr. L.P. Mendis	358,695	0.170
Commercial Credit and Finance PLC	330,000	0.156
DFCC Bank PLC/G.A.C. De Silva	323,868	0.153
Sandwave Limited	293,069	0.139
Hatton National Bank PLC/ Koralagodage Don Sahan Rachira Kulatunga & Mrs. Oshadhini Upulika Kumari Jayasundara	282,362	0.134
Mr. N.L.S. Fernando	257,902	0.122
Seylan Banl PLC/Haloluwa Gedara Nilupul Gamini Haloluwa	233,777	0.111
Mr. E.P.I. Fernando	216,442	0.103
Mrs. V. Saraswathi	216,100	0.102
Mr. M.K. De Livera	207,728	0.098
Dialog Finance PLC/F.F. Haniffa	199,364	0.094
Others	5,939,349	2.814
Total	211,101,155	100.00

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

ACCRUAL BASIS

The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

AMORTIZATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AVAILABLE FOR SALE (AFS)

Non-derivative financial assets that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

CAPITAL ADEQUACY RATIO

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka.

CAPITAL RESERVES

Reserves identified for specific purposes and considered not available for distribution.

CASH EQUIVALENTS

Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

SOLELY PAYMENTS OF PRINCIPAL AND INTEREST TEST (SPPI)

Classification decision for non-equity financial assets under SLFRS

EXPECTED CREDIT LOSSES (ECL)

Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument.

12 MONTHS EXPECTED CREDIT LOSSES (12MECL)

The portion of life time expected credit losses that represent the expected credit losses resulting from default events of a financial instrument that are possible within 12 months after the reporting date.

LIFE TIME EXPECTED CREDIT LOSS (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

EXPOSURE AT DEFAULT (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

EXPOSURE AT CLAIM

Contingent claim or position which carries a risk of financial loss.

CONTINGENCIES

A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

CORPORATE GOVERNANCE

The process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called “Best Practice”.

CREDIT RATING

An evaluation of a corporate’s ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

DEFERRED TAXATION

Sum set aside for tax in the financial statements that may become payable / receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

Removal of a previously recognised financial asset or liability from an entity’s statement of financial position.

DIVIDEND PER SHARE (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of the current year’s dividend attributable to an ordinary share in issue.

GLOSSARY OF FINANCIAL TERMS

EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of the current year's earnings attributable to an ordinary share in issue.

ECONOMIC VALUE ADDED (EVA)

A measure of performance considering cost of total invested equity.

EFFECTIVE INTEREST RATE (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

FAIR VALUE

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as fair value through profit or loss.

FINANCE LEASE

A lease that transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Title may or may not eventually be transferred.

FINANCIAL ASSET

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

FINANCIAL LIABILITY

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

GROSS DIVIDEND

The proportion of profit distributed to shareholders including the tax withheld.

GROUP

A group is a parent and all its subsidiaries and associates.

GUARANTEES

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfill the contractual obligation.

HIRE PURCHASE

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

INTANGIBLE ASSET

An Intangible Asset is an identifiable non-monetary asset without physical substance.

INTEREST COVER

Earnings before interest and tax divided by interest expenses; this indicates the ability to cover or service interest charges of the debt holders.

KEY MANAGEMENT PERSONNEL (KMP)

People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

LENDING PORTFOLIO

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

LIQUID ASSET

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills.

LIQUID ASSETS RATIO

Liquid assets as a percentage of public deposits.

LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

MARKET RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises of currency risk, interest rate risk and other price risk.

NET ASSET VALUE PER ORDINARY SHARE

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between interest income earned from interest earning assets and interest expenses incurred on interest bearing liabilities.

NON-PERFORMING ADVANCES

Loans and advances of which rentals are in arrears for six months or more.

NPL RATIO

Total non-performing loans as a percentage of the total lending portfolio.

PARENT

A parent is an entity that has one or more subsidiaries.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

RELATED PARTY

Parties have the ability to control or exert a significant influence over the company's financial and operating decisions.

RELATED PARTY TRANSACTIONS

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

RETURN ON AVERAGE ASSETS (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

RETURN ON AVERAGE EQUITY (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average ordinary shareholders' equity.

REVERSE REPURCHASE AGREEMENT

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

RISK WEIGHTED ASSETS

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

SEGMENTAL ANALYSIS

Analysis of financial information by segments of an organisation specifically, the different industries and the different business lines in which it operates.

SHAREHOLDERS' FUNDS (EQUITY)

Total of issued and fully paid ordinary share capital and capital and revenue reserves attributable to ordinary shareholders.

SUSTAINABILITY REPORT

Sustainability reporting is a practice of measuring, disclosing, and being accountable for organisational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organisation.

TIER I CAPITAL

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

TIER II CAPITAL

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debts, such as unsecured subordinate term debts and other hybrid capital instruments.

VALUE ADDED

Value of wealth created by providing financial and other related services less the cost of providing such services.

BRANCH NETWORK

HEAD OFFICE

No. 61, Dharmapala Mawatha, Colombo 07.

+94 117 577 577

+94 117 577 511

raveendra@orient.lk

NUGEGODA/ CORPORATE OFFICE

No. 19, Railway Avenue, Nugegoda

+94 117 577 577

+94 117 577 551

info@orient.lk

CITY BRANCH

No. 53A, D.S. Senanayake Road, Colombo 08.

+94 117 677 601

+94 117 577 593

manoj@orient.lk

AMPARA

No. 01, D.S. Senanayake Road, Ampara.

+94 637 577 571

dhanushkag@orient.lk

ANURADHAPURA

No. 561/3, Maithreepala Senanayaka Mawatha, New Town, Anuradhapura.

+94 257 577 571

dhanushkag@orient.lk

BALANGODA

No. 80/A, Barnes Ratwatta Mawatha, Balangoda.

+94 457 577 571

lakmalm@orient.lk

BATTICALOA

No. 290, Trincomalee Road, Batticaloa.

+94 657 577 571

zakee@orient.lk

BANDARAWELA

No. 374, Badulla Road, Bandarawela.

+94 577 577 571

surangar@orient.lk

EMBILIPITIYA

No. 77/1, New Town Road, Pallegama, Embilipitiya.

+94 477 577 571

vinodc@orient.lk

GALLE

No. 60/B, Colombo Road, Kaluwella Road, Galle.

+94 917 577 571

thushan@orient.lk

GAMPAHA

No. 11, Ranathunga Mawatha, Gampaha.

+94 337 577 571

sriyanga@orient.lk

HAMBANTOTA

No. 33/C, Tissa Road, Hambantota.

+94 477 577 551

thilinak@orient.lk

HORANA

No. 254, Panadura Road, Horana.

+94 347 577 571

nalink@orient.lk

JAFFNA

No. 306/A, Hospital Road, Jaffna.

+94 217 577 571

nirmalakanth@orient.lk

KALUTARA

No. 294/A, Galle Road, Kalutara North, Kalutara.

+94 347 577 551

nalind@orient.lk

KANDY

No. 319, D. S. Senanayake Veediya, Kandy.

+94 817 577 571

sanath@orient.lk

KEGALLE

No. 218, Main Street, Kegalle.

+94 357 577 571

sisitha@orient.lk

KOCHCHIKADE

No. 162/4, Chilaw Road, Kochchikade.

+94 317 577 571

wajira@orient.lk

KURUNEGALA

No. 9/A, Noel Seneviratne Mawatha, Colombo Road, Kurunegala.

+94 377 577 571

roshanm@orient.lk

MATARA

No. 38, Station Road, Matara.

+94 417 577 571

indikar@orient.lk

NEGOMBO

No. 38, St. Joseph Street, Negombo.

+94 317 577 551

rukshan@orient.lk

PANADURA

No. 05, Cyril Janz Mawatha, Panadura.

+94 387 577 571

madurangag@orient.lk

POLONNARUWA

No. 13/2, Hospital Junction, Polonnaruwa.

+94 277 577 571

dineshk@orient.lk

RATNAPURA

No. 172, Main Street, Rathnapura.

+94 457 577 551

chathurap@orient.lk

TRINCOMALEE

No. 323/1A, Ahambaram Road, Trincomalee.

+94 267 577 571

lirons@orient.lk

VAVUNIYA

No. 115, Kandy Road, Vavuniya.

+94 247 577 571

thusyanthan@orient.lk

WATTALA

No. 460, Negombo Road, Wattala.

94 117 566 271

brian@orient.lk

AVISSAWELLA

No. 20, Ratnapura Road, Avissawella.

+94 367 577 571

upul@orient.lk

CHILAW

No. 3B, Bazaar Street, Chilaw.

+94 327 577 571

kasunj@orient.lk

KILLINOCHCHI

A9, Jaffna Road, Kilinochchi.

+94 217 577 551

niluksan@orient.lk

NUGEGODA

No. 19, Railway Avenue, Nugegoda..

+94 117 577 671

thusharas@orient.lk

PUTTALAM

No. 116, Kurunegala Road, Puttalam.

+94 327 577 551

chathurangal@orient.lk

NOTICE OF MEETING

Notice is hereby given that the 39th Annual General Meeting of Orient Finance PLC will be held as a virtual meeting on Friday, 29th July 2022 at 11.00 a.m. to transact the following businesses.

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2022 together with the report of the Auditors thereon.
2. To re-appoint Mr. Nalin Karunaratne, who was appointed to the Board on 21st December 2021 and retires in terms of Article 25(3) of the Articles of Association of the Company.
3. To re-appoint Mr. Rajendra Theagarajah, who was appointed to the Board on 28th April 2022 and retires in terms of Article 25(3) of the Articles of Association of the Company.
4. To re-elect Ms. Minette Perera, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company and offers herself for re-election.
5. To re-elect Ms. Indrani Goonesekera, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company and offers herself for re-election.
6. To re-appoint Messrs. BDO Partners, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine and make donations.

By Order of the Board

Janashakthi Corporate Services Limited
Secretaries

06th July 2022

Notes:

1. The Shareholders are requested to register with their first names and last names via the below link before 4.00 pm, on Wednesday, 27th July 2022, to receive the link to join the AGM. The same names should be used to log in to participate in the AGM on 29th July 2022.

   https://orientfinance.lk/AGM-2022-Registration
2. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
3. A Proxy need not be a member of the Company.
4. A Form of Proxy is enclosed for this purpose.
5. The completed Form of Proxy must be forwarded by email to secretaries@jcsl.lk, fax to +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of the Company Secretaries, Janashakthi Corporate Services Limited, No.15, Walukarama Road, Colombo 03.

   No registration of proxies will be accommodated after this deadline.
6. Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/ her/its proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

FORM OF PROXY

I / We, ... of ....

being a Member/s of the Company, hereby appoint ....

(holder of NIC No. ....) of .... failing him/her,

1.	Mr. Rajendra Theagarajah	failing him	5.	Mr. Sriyan Cooray	failing him
2.	Mr. Prakash Schaffter	failing him	6.	Mr. Darshana Ratnayake	failing him
3.	Ms. Minette Perera	failing her	7.	Mr. Nalin Karunaratne	failing him
4.	Ms. Indrani Goonesekera	failing her	8.	Mr. K. M. M. Jabir	

as my/our Proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held as a virtual meeting on Friday, 29th July 2022 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution.

		FOR	AGAINST
1.	Receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2022 together with the report of the Auditors thereon	☐	☐
2.	Re-appointment of Mr. Nalin Karunaratne, who retires in terms of Article 25(3) of the Articles of Association of the Company.	☐	☐
3.	Re-appointment of Mr. Rajendra Theagarajah, who retires in terms of Article 25(3) of the Articles of Association of the Company.	☐	☐
4.	Re-election of Ms. Minette Perera, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company.	☐	☐
5.	**Re-election of Ms. Indrani Goonesekera, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company.**	☐	☐
6.	**Re-appointment of Messrs. BDO Partners, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.**	☐	☐
7.	**To authorise the Directors to determine and make donations.**	☐	☐

Signed on this .... day of .... 2022.

Signature/s ....

....

Shareholder's N.I.C./P.P./Co. Reg. No.

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed Form of Proxy must be forwarded to the Company Secretaries by email secretaries@jcsl.lk , fax +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of Company Secretaries, Janashakthi Corporate Services Limited, No. 15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting.

   No registration of proxies will be accommodated after this deadline.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to, require evidence of the authority of any such attorney or officer.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

NAME OF THE COMPANY

Orient Finance PLC

LEGAL FORM

A public limited liability company incorporated on 24th July 1981 under the Companies ordinance No. 51 of 1938 and was re-registered in terms of the Companies Act No. 07 of 2007 on 27th July 2009.

The Company is registered under the Finance Leasing Act No. 56 of 2000 and Finance Business Act No. 42 of 2011.

COMPANY REGISTRATION NUMBER

PB 1079 PQ (previous PVS/PBS 7651)

TAX PAYER IDENTIFICATION NUMBER

104076513

BOARD OF DIRECTORS

Mr. Rajendra Theagarajah - Appointed as the chairman of the company on 28th April 2022

Mr. Anil Tittawella - Demise on 26th February 2022

Mr. Prakash Schaffter

Ms. Minette Perera

Ms. Indrani Goonesekera

Mr. Sriyan Cooray

Mr. Darshana Joseph Ratnayake

Mr. K. M. M. Jabir

Mr. Nalin Karunaratne -
Appointed w.e.f. 21st December 2021

STOCK EXCHANGE LISTING

The Company is listed on the Diri Savi Board of the Colombo Stock Exchange of Sri Lanka.

REGISTERED OFFICE

No. 02, Deal Place,
Colombo 03.
+94 112 639 878
+94 112 639 868

HEAD OFFICE

61, Dharmapala Mawatha,
Colombo 07.
+94 117 577 577
+94 117 577 511
www.orientfinance.lk
orientfinance@orient.lk

CORPORATE OFFICE

19, Railway Avenue,
Nugegoda.
+94 117 577 577
+94 117 577 511

COMPANY SECRETARY

Janashakthi Corporate Services Limited
No. 02,
Deal Place,
Colombo 03.
+94 112 145 034

EXTERNAL AUDITORS

BDO Partners,
Chartered Accountants,
“Charter House”, 65/2,
Sir Chittampalam A Gardiner Mawatha,
Colombo 02.
Tel: +94 112 421 878
Fax: +94 112 336 064

BANKERS

Commercial Bank of Ceylon PLC
Bank of Ceylon
NDB Bank PLC
Seylan Bank PLC
Sampath Bank PLC
People’s Bank
Nations Trust Bank PLC
Pan Asia Bank PLC
DFCC Bank PLC

CREDIT RATING AGENCY

Lanka Rating Agency Limited (LRA)

ACCOUNTING YEAR END

31st March

Designed & Produced by
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Annual Reports