PURSUING PERFORMANCE

ORIENT FINANCE PLC | ANNUAL REPORT 2016/17

Orient Finance

PURSUING PERFORMANCE

At Orient Finance, we always strive to be the best that we can be. That is why, in spite of the many challenges we have faced over the years, we have always kept our pledge to deliver growing value to all our stakeholders. Every day, in all we do, we have planned and strategised our model of business, in order to be distinctive and hold our position of leadership in the many financial sector segments we operate.

We are well on the way to achieving our full potential, as the growth in total assets recorded in this report will show. The following pages are testament to the plans we have for the future, plans that will see us continue our trajectory of growth, and deliver greater value in the years to come. Here at Orient Finance, we are pursuing performance.

Orient Finance

A NOTEWORTHY ACHIEVEMENT

This report details the realisation of the highest ever turnover achieved by your Company and the plans we have for generating sustainable value in the years ahead.

Scan to view the Annual Report at www.orientfinance.lk

About Us

Management Reports

Management Discussion and Analysis

Corporate Governance

Financial Statements

Other Information

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
Engage in best business practices
Assuring the well-being of our employees

VALUES

Integrity | Accountability | Maintaining confidentiality | Professionalism

FINANCIAL HIGHLIGHTS

Year Ended 31st March	2017 Rs.	2016 Rs.	Change %
Financial Performance (Rs.000)			
Income	3,309,736	2,363,152	40%
Interest Income	3,128,709	2,229,746	40%
Interest Expenses	(1,836,496)	(1,096,453)	67%
Profit Before Tax	301,479	295,861	2%
Income Tax Expenses	(43,803)	311,012	(1.14)
Profit After Tax	257,676	606,873	-58%
Financial Position at the Year End (Rs.000)			
Shareholders' Funds	2,499,727	2,242,981	11%
Customer Deposits	9,565,559	9,249,312	3%
Loans & Advances to Customers	16,416,103	13,839,304	19%
Total Assets	19,450,029	17,112,682	14%
Investor Information			
Earnings per Share (EPS) - (Rs.)	1.74	7.00	
Net Assets per Share (NAPS) - (Rs.)	16.89	15.15	
Ratios			
Return on Assets (Before Tax)	1.65%	2.47%	
Return on Equity	10.87%	43.15%	
Statutory Ratio			
Capital Adequacy			
Core Capital to Risk Weighted Assets Ratio (Min.5%)	9.02%	7.89%	
Total Capital to Risk Weighted Assets Ratio (Min.10%)	11.70%	10.32%	
Liquidity Ratio	6.5%	12.51%	

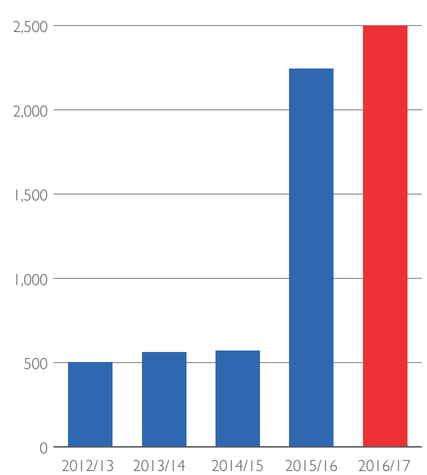
Net Assets per Share

Rs. 16.89

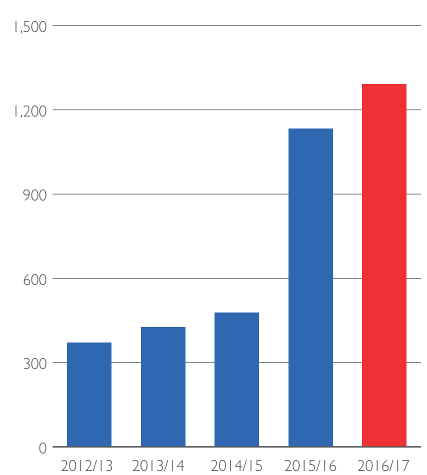
Earnings per Share

Rs. 1.74

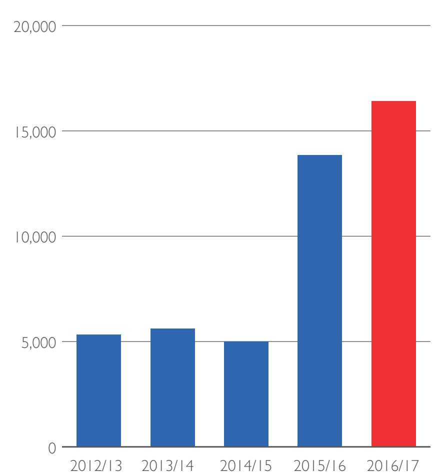
SHAREHOLDER'S FUND (Rs. Mn)



NET INTEREST INCOME (Rs. Mn)



NET LENDING PORTFOLIO (Rs. Mn)



Scan to view the Chairman's message at www.orientfinance.lk/chairman's message/

CHAIRMAN'S MESSAGE

"A noteworthy achievement that must be mentioned is the realisation of the highest ever turnover of Rs. 3.3 billion by your Company."

Dear Shareholder,

It is with immense pleasure that I present to you the Orient Finance PLC Annual Report 2016/17. As your Company celebrated its 35th Anniversary during the year under review, a noteworthy achievement that must be mentioned is the realisation of the highest ever turnover of Rs. 3.3 billion by your Company. The Company's profit before tax increased marginally to Rs. 301 million compared to Rs. 296 million recorded in the previous year, mainly a result of the adverse macroeconomic factors that prevailed particularly during the second half of the financial year. From a macroeconomic perspective, the year under review was marked by volatile interest rates which gradually increased during the second half of the year. This affected net interest margins of your Company as the return on the portfolio could not be adjusted to account for these changes due to the maturity pattern of the Company's leasing portfolio.

Further, the Government imposed Loan to Value Ratio (LTV) and the increased customs duty on vehicles to discourage imports of vehicles as a measure to reduce the pressure on the trade deficit and the exchange rate directly impacted on the Company's leasing business during the latter part of the financial year. However, despite these negative factors, the Company was able to increase its net lending portfolio to Rs. 16.4 billion and total assets to Rs. 19.5 billion by the year end. This ensured that the Company could continue to retain its position as the 15th largest player in the industry in terms of total assets and 14th in terms of its lending portfolio.

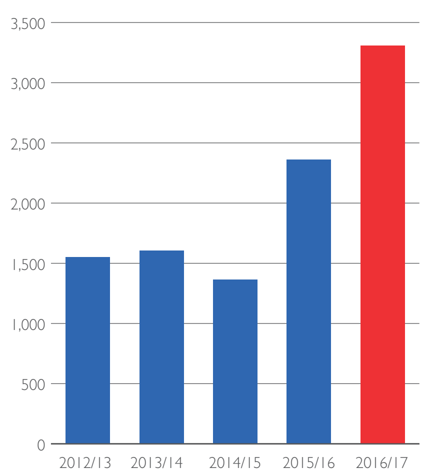
The fixed deposit base of the Company stands at Rs. 9.5 billion with a customer base of 4,525 as at the year end.

The Company has launched new products such as business loans and personal loans, in order to diversify the product portfolio, reach new customers, and balance the negative impact on the leasing portfolio as mentioned above. The Company has plans to further strengthen its product portfolio and customer reach in the coming years by expanding its branch network and providing customers an efficient and speedy service by improving the Company's IT infrastructure.

The Company believes that long term value creation is only possible through the adoption of the highest corporate governance and risk

CHAIRMAN'S MESSAGE

TOTAL INCOME (Rs. Mn)



management principles. Accordingly, Orient Finance continues to carefully monitor its risks and ensures adequate risk management initiatives are in place to safeguard the interests of stakeholders and the Company also adopts the requisite corporate governance principles as laid out by regulators. The Board and Senior Management pay due attention to corporate governance principles and structures when conducting the affairs of the Company. I am also quite pleased to place on record that three out of the seven Board of Directors are females, strengthening the Company's view on gender diversity right from the top.

"The Company has in place a robust compliance culture that includes human rights policies, whistleblowing policy as well as policies and guidelines on fair dealing with customers and other key stakeholders. The impact to the wider society is also of concern to Orient Finance."

In February 2017, as a means to strengthen the total capital base in line with the Central Bank of Sri Lanka's Tier-II capital requirement, the Company raised Rs. 400 million through a preference share issue to existing ordinary shareholders.

The Company has in place a robust compliance culture that includes human rights policies, whistleblowing policy as well as policies and guidelines on fair dealing with customers and other key stakeholders. The impact to the wider society is also of concern to Orient Finance, and the Company has events and activities that contribute to the upliftment and development of the nation.

The future of Orient Finance remains positive, despite the unfavourable conditions prevalent in the macroeconomic environment. With the right attitude and the correct strategies, we are confident that the Company will proceed swiftly on its chosen path, achieving its projected sustainable growth in profitability while enhancing value for all its stakeholders.

Let me take this opportunity to convey my appreciation to my fellow Board members for their invaluable contribution to the affairs of Orient Finance during the year under review. I specially thank Mr. Sarath Wickramanyake, Mr. Indrajith Fernando and Mr. Ramesh Schaffter who resigned from the Board during the year for their significant contribution over the years. I also take this opportunity to once again

The future of Orient Finance remains positive, despite the unfavourable conditions prevalent in the macroeconomic environment.

welcome Mr. Mayura Fernando as the new CEO of the Company who joined us during the year under review.

I would also like to extend my appreciation to the senior management and the rest of the staff of Orient Finance for their hard work and continued dedication in meeting the vision of the Company. I extend our appreciation to the Director and the staff of the Non-Banking Division of the Central Bank of Sri Lanka, the Securities and Exchange Commission and the Colombo Stock Exchange for the support extended to Orient Finance over the years. Finally, I convey my sincere thanks to all our shareholders, customers and other stakeholders for the trust they placed on the Board and management to lead your Company to success.

Dr. Dayanath Jayasuriya P. C.
Chairman

21 July 2017

Net Lending Portfolio
Rs. 16.4 Bn.

CHIEF EXECUTIVE OFFICER'S REVIEW

"During the year under review, the strategic focus of our Company was directed at stakeholder value addition by pursuing growth and enhancement of identified key value drivers."

The year under review proved to be a successful one for the amalgamated entity of that is today Orient Finance PLC. Being the first full year of operations for the amalgamated entities of Orient Finance PLC and Bartleet Finance PLC, we have in our pursuit of performance set in motion strategies aimed at achieving the potential foreseen when the entities merged in July 2015. The combined entity is now positioned to take on challenges and capitalise on opportunities present in the market place, while steadily continuing to build on performance.

Strategic Focus

During the year under review, the strategic focus of our Company was directed at stakeholder value addition by pursuing growth and enhancement of identified key value drivers such as the lending portfolio, total revenue, net interest margins, non-interest revenue, asset quality, and the cost to income ratio. This proved to be a challenge for the management of our Company mainly due to the turbulent macroeconomic environment that prevailed during the year under review. Our Company's margins were affected by the rising interest cost, which in turn affected growth of our diverse product portfolios. However, some improvement was seen during the early part of 2017, and it is our belief that the present portfolio will prove to attain more favourable results in the medium term. The resources and effort made to improve the asset quality during the year under review proved successful. We were also able to successfully fine-tune the credit guidelines and further define product parameters to ensure increased quality of lending. The follow-up of facilities, collection and recovery efforts were also strengthened to consistently improve the recoveries of lending facilities.

Our Company realised a high impairment cost in the year under review. This was a result of a series of conscious decisions by the

CHIEF EXECUTIVE OFFICER'S REVIEW

"The strength of our people, our processes, and our marketing networks which have been developed and nurtured over the years has assisted our Company to deliver consistently satisfactory results."

management to make a conservative assessment of the portfolio quality. The net non-performing loans ratio of 1.7% and a provision cover of over 70% of non-performing loans are evidence of the management's conservative assessment of the value of loan receivables. A detailed analysis of the performance of the Company is given on pages 20 to 30, under the "Management Discussion and Analysis".

The demand for vehicle leasing significantly reduced in the year under review, mainly a result of the steps taken by the regulatory authorities with regards the import duty structures and the restriction of Loan to Value ratios. While this affected our Company's portfolio, we believe that this reduced demand is only a short-term affect, and the market will stabilise over time. Our Company's focus on vehicle financing will remain steady at least in the medium term, while any future decisions will be based on market reactions and performance during this time.

While the full impact of the strategies pursued during the year will only be realised in the next few years, the progress made to date is encouraging and gives credence to the path that our Company is currently following.

Growth and Performance

The strength of our people, our processes, and our marketing networks which have been developed and nurtured over the years has assisted our Company to deliver consistently satisfactory results. While the working capital financing through Factoring and Cheque Discounting is at a moderate level at present, the management has plans to further strengthen this Department and diversify the lending portfolio by a significant portion of short term maturities compared to the longer maturities in Leasing. The Gold Loans product introduced during the year under review has been well accepted by our Company's customers in most of our operational locations. We will continue to capitalise on the growth potential of the gold loan portfolio over the next few years to add another dimension to our total lending portfolio.

Total Customer Deposits

Rs. 9.6 Bn.

Branch Network

The business activities of our Company which is carried out through a strong network of 25 branches and five window offices are growing in terms of operations and business volumes. Plans are in place to further strengthen our branch network by converting the window offices to fully-fledged branches, once they reach a suitable level of operational activities. We also have plans to expand operations to other locations in the short to medium terms. Several potential locations have already been identified for expansion and are in the process of obtaining necessary regulatory approvals.

People and Expertise

During the year under review, our Company took steps to further strengthen its management and recruited three new Heads of Department for Information and Technology (IT), Human Resources and Risk and Compliance. A senior IT professional was recruited to oversee all information technology related matters for our Company; and to assist in the enhancement of the technological environment of our Company by developing and strengthening IT based channels of distribution to facilitate business transactions with our customers. Several IT initiatives have already been implemented and are expected to be launched during the coming fiscal year.

As we grow as a Company, the risk and compliance factors faced only continue to grow in complexity and breadth. To achieve a consistent and stable growth amidst the changing external environment, and to ensure the stability and future readiness of our Company to meet all regulatory compliances, the management took the requisite steps to enhance the risk management function of our Company. Instigated by the Board of Directors, our Company created a separate Department for Risk and Compliance during the year under review as a means to ensure adequate resources and focus is given to this important area.

Acknowledgements

I take this opportunity to convey my sincere appreciation to the Chairman and the Board of Directors for their constant support and guidance to the corporate management team and personally to me. My heartfelt gratitude to the corporate management team and the entire Orient Finance team for their dedication and commitment to successfully implement corporate strategies and bring our Company to its present level of performance. I also take this opportunity to thank our customers, shareholders and all other stakeholders for their continued patronage and for placing their trust and confidence in us.

Mayura Fernando
Chief Executive Officer

21 July, 2017

BOARD OF DIRECTORS


Dr. D. C. Jayasuriya


Mr. Prakash Schaffter


Mr. Ananda W Atukorala


Mrs. Lakshmi K. Gunatilake


Mr. Anil Tittawella


Ms. Minette D. A. Perera


Ms. Indrani Goonesekera


Mr. Ramesh Schaffter

Dr. D. C. Jayasuriya

President's Counsel – Chairman,
Independent Non - Executive Director

Dr. Dayanath Jayasuriya (LLB (Ceylon); Ph.D. (Colombo); Fellow - International Compliance Association (U.K.); Hony Fellow - Society for the Advanced Study of Law (U.K.); Member -Singapore Institute of Directors). He was the Director General and CEO of the Securities and Exchange Commission and the Insurance Board of Sri Lanka and held these posts until 2003. In 2004 he was appointed as the Chairman of both these regulatory bodies. Dr. Jayasuriya is the Founder Chairman of the South Asian Insurance Regulators' Forum. In 2005 he served as the Chairman of the International Organisation of Securities Commission (IOSCO) President's Committee and as the Vice Chairman of the IOSCO Multilateral MOU Monitoring Committee.

Currently he is the Managing Partner of Corporate Governance Advisory Services Pte. Ltd., a consultancy firm registered in Singapore. From 2005 to 2013 he was a Director of the International Financing Facility for Immunization Co. Ltd. (U.K.) which is the third largest charity in the U.K. and served as a member of its audit committee. Dr. Jayasuriya has been a Senior State Counsel in the Attorney-General's Department and a Director of the Public Utilities Commission, the Public Enterprises Reform Commission, the Accounting and Auditing Standards Monitoring Board, the National Procurement Agency and a Trustee of the Construction and Guarantee Fund. Over a period of twenty years he worked for the UN and its specialised agencies in Geneva, Vienna, New Delhi, Bangkok and Islamabad and held key positions as UNDP Regional Adviser on HIV and Development for Asia and the Pacific; Head of the UNAIDS Secretariat and Senior Programme Adviser to the Government of Pakistan; and Chief Technical Adviser to the UN International Drug Control Programme. He has undertaken consultancy missions for the UN and international organisations covering more than 40 countries in Europe, Asia, the Pacific, Africa, Central Asian Republics, South America and the Caribbean.

Dr. Jayasuriya has been a Visiting Scholar at Harvard University and has lectured at many leading universities including Oxford University, Cambridge University, Institute of Advanced Legal studies of the University of London, Georgetown Law School, Delaware Law School, McGill University, University of New South Wales, University of Tasmania, Mahidol University etc. For several years he was a Visiting Professor of Mercantile Law at the University of the Free State, South Africa. He has written more than 20 books, 25 monographs and published over 200 articles.

Mr. Prakash Schaffter

Non - Executive Director

Prakash Schaffter is the Cambridge-educated Managing Director of Janashakthi. He is one of the youngest ever Fellows of the Chartered Insurance Institute and with over 25 years of experience in the Insurance industry in both Sri Lanka and the United Kingdom, he has over time emerged to become a leading Insurance personality in Sri Lanka. He is also a former the President of the Insurance Association of Sri Lanka, who has through several industry related committees, led the discussion on regulatory changes, including the separation of Life and Non-Life business segments.

A former first class cricketer, he represented both Cambridge University and London University during his cricketing career. He is a former Secretary of Sri Lanka Cricket and also the former President and General Secretary of the Tamil Union Cricket and Athletic Club. He has also served as President of the Young Presidents Organisation of Sri Lanka.

Mr. Ananda W Atukorala

Independent Non - Executive Director

Mr. Atukorala possesses extensive experience in banking, having been with the ANZ Banking Group both in Sri Lanka & overseas. He has served as Deputy General Manager, ANZ Grindlays Bank, Sri Lanka; Country Manager Sri Lanka, Mashreq Bank PSC and was a former advisor to the Ministry of Policy Development & Implementation. He was a Director of Union Bank PLC for a period of nine years and retired in 2012.

Presently, he serves as an Independent Non-Executive Chairman of National Development Bank PLC., Development Holdings (Pvt) Ltd & NDB Securities (Pvt) Ltd. and as an Independent Non Executive Director on the Boards of - United Motors Lanka PLC., Colombo City Holdings PLC., TVS Lanka (Pvt) Ltd., Unimo Enterprises Ltd, UB Finance Co. Ltd., Arni Holdings and Investments (Pvt.) Ltd. and Unawatuna Boutique Resort Pvt Ltd,

Mr. Atukorala had also served as a Member of the Technology Initiative for the Private Sector - an USAID sponsored project with the Ministry of Industrial Development. He was also a Working Committee Member - Commercial Banking Sector - Presidential Commission on Finance and Banking, Committee Member - Banker's Club of Sri Lanka and a Former Director - Sri Lanka Banks Association (Guarantee) Ltd. and CRIB - Credit Information Bureau of Sri Lanka. He holds a B.Sc (Leeds, UK), MTT (North Carolina, USA) and a MBA.

BOARD OF DIRECTORS

Mrs. Lakshmi K. Gunatilake

Independent Non - Executive Director

Mrs. Gunatilake possesses 28 years of executive experience at the Central Bank of Sri Lanka, which she began as an Economist in 1979. She served in the Economic Research Department (as an Economist and later as a Senior Economist) up to 1991. Since then, she served in the Banking Department of the Central Bank. In 1996, she was promoted as a Deputy Director of Economic research and in 2000 she was appointed an Additional Director of Economic Research. In 2001, she was appointed the Director of the Department of Supervision of Non-Bank Financial Institutions. She held this position up to her retirement in 2007. She was a Member of the Financial System Stability Consultative Committee of the Central Bank from January 2008 to June 2011.

Mrs. Gunatilake is a Fellow and an Associate Member of the Institute of Bankers of Sri Lanka and she holds a B.A (General) with Economics as a subject from University of Peradeniya, B.A (Hons) in Monetary Economics from University of Peradeniya, M.Sc in Agricultural Economics from University of Peradeniya and M.A in Economics from University of Manchester, UK.

Mr. Anil Tittawella

President's Counsel
Independent Non - Executive Director

Mr. Anil Tittawella is a President's Counsel and has had a varied professional career with a wide range of subjects both in terms of litigation and under other dispute resolution mechanisms. His expertise is in civil and commercial law litigation, alternate dispute resolution mechanisms, legal documentation, drafting, negotiation, mergers and acquisitions, corporate legal matters and legal due diligence. Some of the countries that he has represented his clients in are Pakistan, South Korea, Hong Kong, Sweden, UAE, Thailand, Singapore, England, USA, India, Mauritius, New Zealand and Switzerland.

Mr. Tittawella has been a member of the Bar Association of Sri Lanka Committee on Company Law Reform (1995-1996), a member of the Ceylon Chamber of Commerce Committee on Company Reforms (1993) and a member of the Sri Lanka Swedish joint legal team to formulate the new Arbitration Act of Sri Lanka (1994-1997). He was also the Legal Consultant to the Airport and Civil Aviation Authority of Sri Lanka (1994-1997) and the founder member of the Institute of Commercial Law and Practice in Sri Lanka (1995). Mr. Tittawella also functioned as a commission member of the Securities and Exchange Commission of Sri Lanka from 2000 to 2002 and was also a Member of the Insurance Board of Sri Lanka from 2001 to 2002. He is a Member of the Bar Association of Sri Lanka and the Colombo Law Society.

Mr. Tittawella is an Attorney–at-Law of the Supreme Court of Sri Lanka and holds Solicitors (final) Examination of the Law Society of the United Kingdom and Masters in Law (Hons) University of Waikato, New Zealand.

Ms. Minette D. A. Perera

Independent Non - Executive Director

Ms. Minette Perera was the Group Finance Director of the MJF Group, which comprises of several tea growing, packing and exporting companies, supplying the "Dilmah Tea" brand around the world, from September 2000 till 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. Ms. Perera is also on the Boards of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) since September 2000, Kahawatte Plantations PLC since January 2001 and Talawakelle Tea Estates PLC since January 2012.

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 qualified accountant having worked in leading local and international companies as an Executive Director.

Ms. Indrani Goonesekera

Attorney-At-Law.
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 corporate 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 over all 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 conforming to and complying with all procedures, laws, rules and regulations applicable to the Bank as a Corporate, a Licensed Commercial Bank by the Monetary Board of the Central Bank of Sri Lanka and a Listed Corporate of 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 holds a Master in Laws (LLM) degree (UK) in 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. Ramesh Schaffter

(Alternate Director for Mr. Prakash Schaffter)

A versatile personality with over two decades experience in Finance & Marketing, he is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants Sri Lanka Division and an Associate member of the Chartered Institute of Marketing. Having served as Secretary to the Board of Janashakthi Insurance since the inception of Janashakthi Insurance in 1994, he was appointed to the Board of Janashakthi Insurance in 2004. He has also served on the Boards of several public listed and unlisted companies.

An accomplished public speaker he is a multiple award winner at National and International level Toastmasters' contests. He is the former President of the Habitat for Humanity Sri Lanka and a Board member of World Vision for Sri Lanka. He has founded Swarga TV and Swargam TV which are television channels carried on a cable TV platform in addition to Christian Arts Foundation (Chraft) an organisation which promotes music and drama in Sri Lanka.

MANAGEMENT TEAM

CORPORATE MANAGEMENT

Mayura Fernando
Chief Executive Officer

Buwaneka Subasinghe
Director (Non-Board)

Nilantha Jayanetti
Senior Assistant General Manager- Marketing

Asela Wijayabandara
Assistant General Manager - Finance

Susantha Caldera
Assistant General Manager - Credit Control

Geethika Wickramasinghe
Assistant General Manager – Fund Mobilization

Damitha Girihagama
Assistant General Manager - Recovery & Insurance

Patrick Ranasinghe
Assistant General Manager - Credit

Prasadi Perera
Assistant General Manager - Factoring

Dhanuka Tharanga Perera
Assistant General Manager - Pawning

SENIOR MANAGEMENT

Sanjeewa Seneviratne
Assistant General Manager FMO - Branches

Ranjith Rathnapriya
Assistant General Manager Corporate Sales

Nuwan Nilantha
Senior Manager- Treasury

Chatura Kulatilaka
Senior Manager- Information Technology

Kalana Senaratne
Senior Manager- Human Resources

Sameera Kaumudi
Senior Manager- Risk & Compliance

MANAGEMENT DISCUSSION AND ANALYSIS

"The year under review saw Orient Finance PLC capitalise on the strengths of its merger and continue to hold the 14th position in terms of the lending portfolio within the Licensed Finance Companies of Sri Lanka, having increased its lending book to Rs. 16.4 Million by the year-end."

MACRO AND INDUSTRY ENVIRONMENT

Global Economy

Performance Overview

According to the World Bank, the global economy has performed at below expected levels mainly as a result of the stalling global trade, weak investment, and heightened policy uncertainty from some advanced economies in 2016. The overall global economy growth has fallen to 2.3%, considered the weakest performance since the global financial crisis experienced in 2008. The struggle seen in the advanced economies due to subdued growth and low inflation, coupled with increased uncertainty about policy direction, limited investment, and slow productivity growth has resulted in only a 1.6% growth of these economies in 2016. The Emerging Market and Developing Economies (EMDEs) experienced a 3.4% growth in 2016, mainly due to the growth experienced by commodity importers. The resilient domestic demand, low commodity prices, and accommodative macroeconomic policies also contributed to this growth.

Outlook

Global growth is expected to rise to 2.7% in 2017, mainly reflecting a recovery in EMDEs. The overall forecast remains gloomy due to the increasing policy uncertainty in major advanced economies and some EMDEs, financial market disruptions, and weakening potential growth. However, fiscal inducement coupled with other growth enhancing policies in key economies such as the United States, may yet lead to higher levels of economic activity which may lead to better than expected global growth in the coming years. The growth of the EMDEs is expected to accelerate to 4.2% in 2017 mainly from the expected recovery of commodity-exporting EMDEs.

Sri Lankan Economy

Performance Overview

The corrective policy measures adopted by the Government and the Central Bank of Sri Lanka resulted in the stabilisation of the economy during 2016. However, the slowdown experienced in the global economy together with the unfavourable weather conditions that prevailed in the country caused the economy to grow at a slower than expected rate, resulting in a growth of 4.4% in 2016 compared to 4.8% achieved in 2015. The main contributor to the growth of the economy was the increased investment in the construction sector.

The increasing interest rates during 2016 was mainly a result of the Central Bank's decision to increase the key policy interest rates by a total of 100 basis points. The implementation which was affected in two steps took place in February 2016 and July 2016 respectively. As a result, the short-term market interest rates also increased considerably during 2016, having a significant impact on the performance of the Financial Sector and the Non-Banking Financial Institutions Sector of the economy. The situation was further affected when the Central Bank re-adjusted its policy interest rates upwards by another 25 basis points in March 2017. Overall, the interest rate regime remained at elevated levels throughout 2016.

Consumer inflation which showed an upward trend in the first half of 2016, stabilised during the latter part of the year. However, the core inflation rate remained at elevated levels showing an upward movement throughout 2016. The adverse weather conditions that resulted in floods, tax adjustments and increasing international commodity prices all contributed to the inflated core inflation which stood at 6.7% at the end of 2016.

The exchange rate remained mostly stable in the first four months of 2016, a result of the intervention by the Central Bank of Sri Lanka. However, the Central Bank's decision to allow the exchange rate to reflect market conditions during the second quarter of 2016 resulted in an overall depreciation of the Sri Lankan rupee against the US dollar by 3.83% as at the year end.

Outlook

The Sri Lankan economy is expected to grow at moderate levels amid the adverse impact of unfavourable weather conditions, reaching a 5% growth at the end of 2017. This growth rate is expected to gradually improve thereafter, and the economy is expected to record an annual growth rate of 7% by 2020. It is predicted that increased investment by the Private Sector will play a significant role in achieving this growth, particularly by exploiting potential growth opportunities in the domestic economy and in external markets. The Services and Export Sectors of the economy are expected to contribute towards this growth by attracting foreign investors in the medium to long-term. These developments are expected to be supported by complementary policy measures adopted by the Government to create a conducive environment for economic expansion.

The Performance of the Non-Banking Financial Institutions (NBFI) Sector of Sri Lanka

The Non-Banking Financial Institutions (NBFI) Sector consisting of Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs), achieved robust growth amid the challenging operating environment during 2016. Although marginally below what was achieved in 2015, the Sector's growth is mainly seen in asset base growth and branch network expansion. The key reason attributed to this strong performance was the strategic move by the Sector to increase focus on promoting and selling other types of loan products, while moving away from its core product of vehicle leasing and financing which was adversely affected as a result of new duty structures imposed by regulatory authorities.

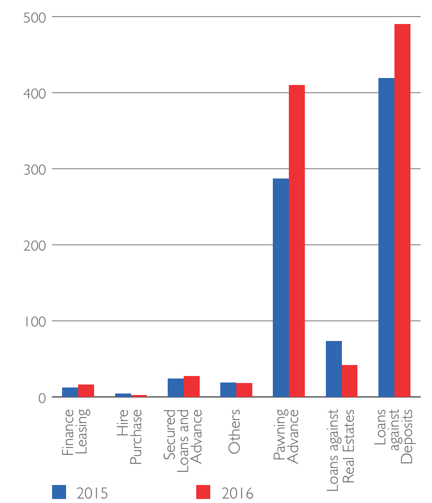
Performance of Non-Banking Financial Institutions Sector

	2016 Rs. Bn	2015 Rs. Bn
Total Revenue	188.9	150.4
Profit After Tax	31.5	15.2
Total Assets	1,211.9	996.1
Total Loan Portfolio	962.7	795.8
Total Deposit Base	531.0	480.6

Source: Central Bank of Sri Lanka - Annual Report 2016

The overall growth of the sector was primarily funded by domestic borrowings, while the Non-Performing Loans (NPLs) ratio was maintained at satisfactory levels. The Sector's total asset base grew by 21.7% in 2016 compared to the 22.3% in 2015. However, the Sector's total asset base exceeded the one trillion-rupee mark in 2016.

PRODUCT WISE LOANS & ADVANCES OF THE LFCS/SLCS SECTOR (Rs. Bn)



Source: Central Bank of Sri Lanka - Annual Report 2016

The Sector's credit growth weakened during the first quarter of 2016 attributed mainly to the introduction of the 70% Loan to Value ratio (LTV) in respect of loans and advances granted for the purpose of purchase or utilisation of motor vehicles by banks and LFCs/SLCs by regulatory authorities. However, as the Sector concentrated on the sale of other lending products, the credit growth accelerated during the second half of 2016 resulting in an overall expansion by 21% at the end of 2016. The main contributors to the growth were term loans, revolving loans, microfinance, factoring and draft loans which amounted to 73.1% of overall growth. The growth of the Sector's core products - finance leases and hire purchases were comparatively only 23.7% in 2016.

The growth in deposits was moderate at 10.5% compared to 16.1% realised in 2015. The deposit mobilisation was realised mainly though time deposits which accounted for 95.6% of the total deposits portfolio. The balance was attributed to the growth in savings deposits.

The Sector's profit after tax increased to Rs. 31.5 Billion in 2016 compared to Rs. 15.2 Billion

MANAGEMENT DISCUSSION AND ANALYSIS

in 2015, mainly a result of increased business volumes from non-traditional lending products and the achievement of greater operational efficiencies of the Sector.

COMPANY PERFORMANCE

The year under review saw Orient Finance PLC capitalise on the strengths of its merger and continue to hold the 14th position in terms of the lending portfolio within the Licensed Finance Companies of Sri Lanka, having increased its lending book to Rs. 16.4 Million by the year-end. This increase was achieved despite the higher interest rates, increased vehicle prices due to increased import duties by the Government, and the higher loan to value ratio imposed by the regulatory authorities. The year under review saw much competition among non-bank financial institutions, banks and other lending institutions mainly caused by the macroeconomic factors affecting the demand for key financial products such as leasing and hire-purchase. The increased funding costs resulted in increased competition from the banking sector with their offer of savings and current accounts adding further pressure on the performance of finance companies. However, amidst such a challenging external environment, the Company was able to increase the total balance sheet size to Rs. 19.5 Billion as at 31st March 2017, compared to Rs. 17 Billion recorded as at 31st March 2016.

As a measure to strengthen the capital structure and to comply with the Central Bank of Sri Lanka's Tier-II capital adequacy ratio requirement, Orient Finance successfully concluded a redeemable five-year preference share issue to the value of Rs. 400 Million in February 2017 to existing shareholders.

FINANCIAL PERFORMANCE

Income

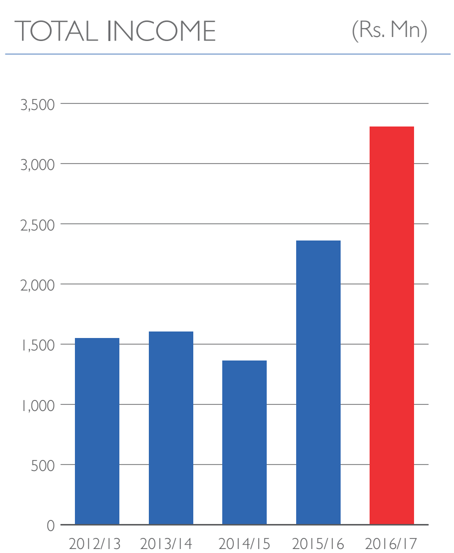
For the year under review, the Company's total income recorded Rs. 3.3 Billion, a milestone achievement in our 35-year history mainly attributed to the positive performance of the lending portfolio assisted by the prevalent high lending rates in the country. This resulted in a 40% increase compared the previous year which recorded a total income of Rs. 2.36 Billion. The Company's leasing, loans and factoring products were the main sources of income for the year under review.

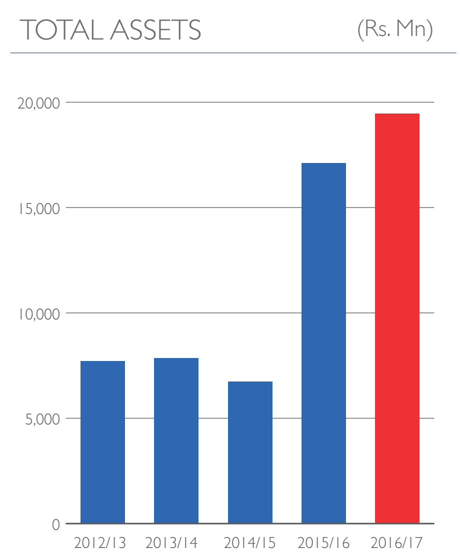
HIGHLIGHTS OF THE YEAR

Orient Finance PLC celebrated 35 years of service excellence in July 2016.

For the first time in history, the Company surpassed the Rs. 3 Billion in its total income, recording Rs. 3.3 Billion as at the year end.

The Balance Sheet position was strengthened and increased to Rs. 19.5 Billion by the year end.

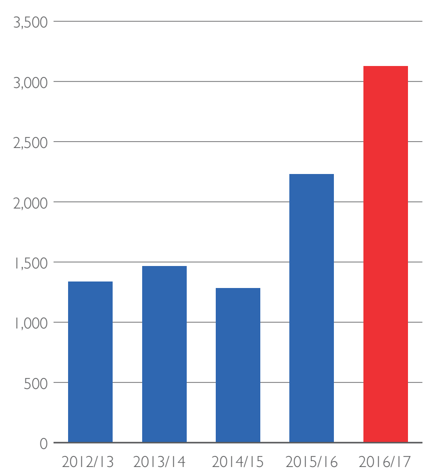




Interest Income

The Company's interest income also surpassed Rs. 3 Billion for the first time, recording a 40% increase compared to the Rs. 2.2 Billion achieved in the previous year. The net interest income also grew by 14% to Rs. 1.3 Billion for the year under review. We consider this is a remarkable achievement, as we realised this growth despite the increase seen in the cost of borrowing during the year under review.

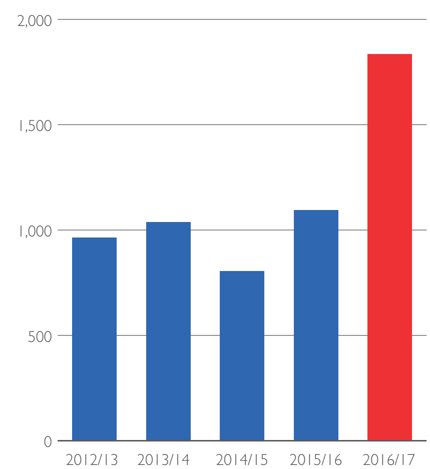
INTEREST INCOME (Rs. Mn)



Interest Expenses

Interest expenses increased significantly during the year under review mainly due to the tight monetary policy stance by the Regulator which was aimed at curbing the adverse macroeconomic market conditions in the country. The Company's total interest costs increased from Rs. 1,096 Million recorded in the previous year to Rs. 1,836 Million in the year under review. This 67% increase in interest expenses negatively impacted the net margins of the Company.

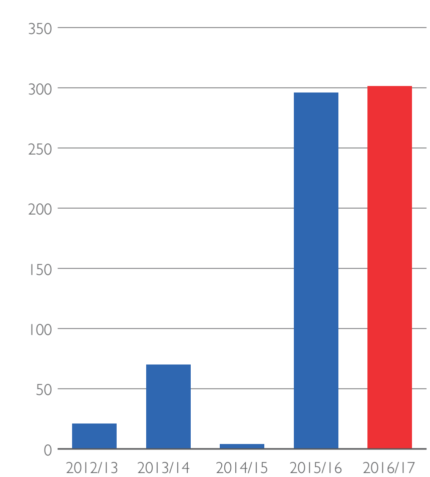
INTEREST EXPENSE (Rs. Mn)



Profit Before Tax

The Company's Profit Before Tax (PBT) increased from Rs. 296 Million to Rs. 301 Million in the year under review. Although only a marginal growth compared to the previous year, the Company considers this increase adequate and commendable given the adverse and challenging macroeconomic market conditions of low demand and high interest rates faced during the year.

PROFIT BEFORE TAX (Rs. Mn)



Provision for Impairment

The impairment provision of the Company declined to Rs. 322 Million during the year under review from Rs. 329 Million last year recording a marginal growth. This is a positive achievement in comparison to the 18.6% increase of the portfolio of the Company. Measures are being put in place by the management to further improve the quality of the total assets portfolio of the Company in the coming year.

Operating Expenses

The operating expenses of the Company increased from Rs. 640 Million to Rs. 774 Million mainly due to the expansion of business operations, and partly as a result of the general inflationary pressure in the country. However, the cost to income ratio of the Company was at 52%, and below the industry average.

Total Assets

The total assets of the Company as at 31st March 2017 stood at Rs. 19.5 Billion, maintaining the Company's position in the 15th place among the Licensed Finance Companies in the country. The total assets increased by 13.7% in the year under review compared to the previous year, surpassing the Company's expectations amid the tough macroeconomic conditions.

Lending Portfolio

The net lending portfolio of the Company increased to Rs. 16.4 Billion from Rs. 13.8 Billion recorded in the previous year. This 18.6% increase is commendable amidst the increases seen in the vehicle prices, Loan to Value ratio and funding cost.

The leasing and hire purchases products however, continue to be the biggest contributor to the lending portfolio, representing 73.6% of the total, while Loans and Factoring represented 17% and 8.8% respectively of the total lending portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

Equity Base

The total equity of the Company as at the year end stood at Rs. 2.5 Billion compared to Rs. 2.2 Billion recorded as the end of the previous financial year.

Net Asset per Share

The net assets per share of the Company increased from Rs. 15.15 at the beginning of the year under review to Rs. 16.89 as at the year end.

OUR PRODUCTS AND SERVICES

Orient Finance PLC has always strived to bring to our customer products and services to meet their financial requirements. Over our 35-year history, the Company has built a comprehensive products portfolio and endeavours to provide financial solutions that cater to our customers residing across the country. We continue to innovate our products and look to add more products to serve our customers' needs in the coming years.

Product Portfolio

- Leasing and Hire Purchase
- Loans
- Factoring
- Pawning Services
- Fixed Deposits
- Savings Deposits

Leasing, Hire Purchase and Loans

This segment represents the largest portion of the Company's product portfolio and accounts for 90.6% of the total net lending portfolio. During the latter part of the year under review, there was a slow down in leasing business as a result of the increases in duty on vehicles and the Loan to Value ratio imposed by the Government. However, the Company achieved a 35% growth in its leasing portfolio mainly due to the increase of the total loans portfolio by 36%.

Marketing Activities

The Company conducted a series of marketing campaigns in the year under review targeting Sri Lankan expatriates living in the Middle East. These campaigns helped to successfully generate significant business for the Company.

Marketing campaign aimed at Sri Lankan expatriates living in Jordan.

To further customer reach and increase new business opportunities, the Company entered into MoUs with couple of motor vehicle dealers and agents during the year under review. This will not only facilitate Orient Finance's vehicle leasing products being promoted to these companies' customers, but also allow for collaborative promotional campaigns to be undertaken.

Signing of the MoU with Ideal Motors

Signing of the MoU with DIMO Lanka PLC

In another pioneering innovation, aimed at meeting the changing needs of customers resulted in an MoUs with United Motors and DIMO Lanka PLC. These MoUs will facilitate a unique solution whereby a prospective customer can trade in a used vehicle for a brand new vehicle. Orient Finance will handle the trade-in of the used vehicle, thus removing the hassle of the vehicle sale by the customer while also offering a financing solution best suited to the customer's needs.

Signing of the MoU with United Motors

Factoring

This segment recorded a 23% portfolio growth with outstanding advances of Rs. 1.45 Billion despite the higher interest rates that prevailed in the market and increase in the number of competitors during the year under review. The total income earned during the year was Rs. 277 Million, a more than 100% growth over that realised in the previous financial year. This exponential growth is attributed to the Company's concentrated efforts to penetrate potential business opportunities existing in the

Central, North Western and Southern provinces of the country. Plans are also in place to further penetrate the market with the factoring product in the Western province in the coming fiscal year.

The segment continues to maintain its superior service standards by undertaking continuous reviews and training employees regularly. To further improve customer convenience and efficiency, the add-on of a client access module to the existing client base is being developed. The Company believes that this will also enable us to move ahead and gain a competitive advantage over our competitors.

Marketing Activities

During the year under review, several marketing and awareness campaigns were conducted to attract new customers to improve the total factoring portfolio of the Company. This too contributed towards the enhanced performance of this business segment.

Company personnel conducting a product awareness presentation at the Trade Association - Wariyapola

Deposits

Total deposit base of the Company increased to Rs. 9.6 Billion by the year-end from Rs. 9.2 Billion as at the previous year-end. This minimal increase was mainly a result of the stiff competition from commercial banks as the rates offered were on par with the fixed deposit rates offered by Finance companies. The growth achieved by the Company was mainly from the increase realised in the retail base. Going forward, the Company aims to increase the retails base to minimise liquidity risk and expand our customer base in rural areas of the country.

Marketing Activities

The Company launched many promotions with the approval of Central Bank during the year under review for its deposit product as a means to attract new customers. Several customer events were held by the different branches of the Company to promote new products and build long term relationships with existing customers.

Fixed Deposit customer gathering at the Embilipitiya Branch

Fixed Deposit promotional campaign held at Wennappuwa

OUR PEOPLE

Steering Business Strategy Through Human Capital Management

The Company's success is attributed to our people. It is the manner in which we manage, train and nurture our people that helps to steer the business strategy of Orient Finance PLC to successful implementation. The natural talent, skills, knowledge, innovative bent, and ideas provided by our people adds value to the Company's products and services, enabling us to move ahead with meeting our vision. In turn, the Company too is firmly committed to developing, respecting and treating with dignity the people who are a part of the Orient Finance family. As the Company progresses in its growth plans, we believed that our people will be the key drivers of this growth, ensuring that Orient Finance is considered as the first choice for meeting the financial requirements of customers.

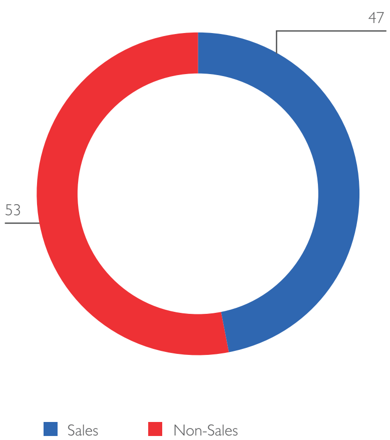
During the year under review, the Company increased its employee base by 6.2%, reaching a total of 447 as at the year-end. This increase in the number of people employed is mainly attributed to the increase in sales staff to 47% of the total workforce compared to 43% in the previous year.

Employee Category	Year 2016/2017	Year 2015/2016
CEO	1	1
Senior AGM / AGM	11	11
Senior Manager	11	5
Manager	33	29
Assistant Manager	45	39
Senior Executive	44	34
Executive	97	83
Junior Executive / Clerical	196	209
Minor	9	10
Total	447	421

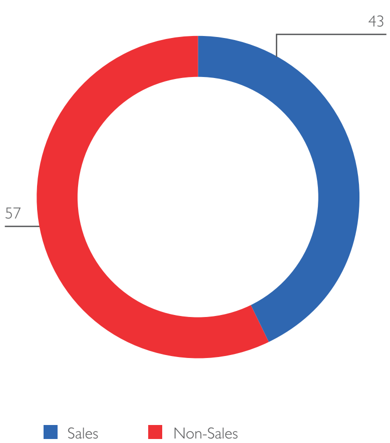
Total Employees by Category of Employment

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF SALES & NON-SALES STAFF 2016-17 (%)



COMPARISON OF SALES & NON-SALES STAFF 2015-16 (%)

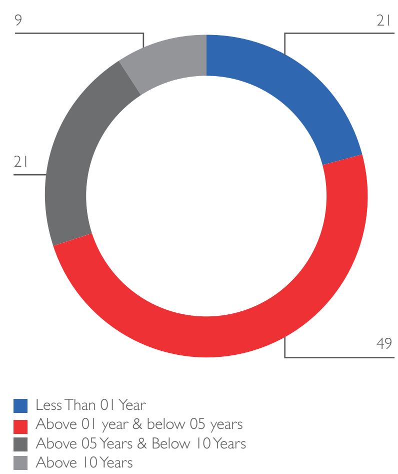


Talent Recruitment

Every aspect of the Company's Human Capital Management process is viewed within the framework of the overall strategic business. As such, Orient Finance PLC is cognisant of the strategic human capital requirements when embarking on a recruitment drive. The Company has in place a well-planned and coordinated recruitment and selection process to ensure only the talent that is the 'right fit' become a part of the Orient Finance family.

The Company's comprehensive recruitment techniques together with the screening and interviewing procedures adopted ensure that the recruitment team pays due attention to selecting the "right person" at the "right time" to do the "right job". The Company is well placed to recruit newly graduated young and fresh talent who are integrated into the organisation through our in-house developed internship programme. We also encourage those people with aspirations towards higher education to obtain hands-on work experience while pursuing their studies. This strategy has paved the way for Orient Finance to establish a strong lower and middle management layer comprised of enthusiastic, top-quality young professionals geared to drive the future growth of the Company. For higher level and other key positions, the Company pursues employment of highly qualified and experienced professionals well established in their respective fields.

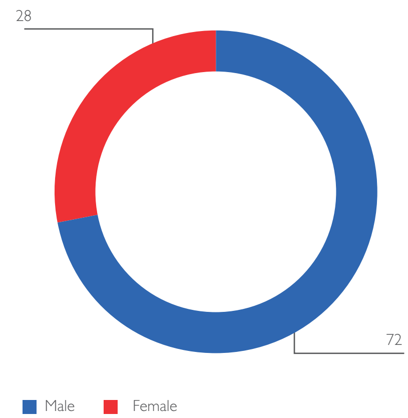
SERVICE PERIOD ANALYSIS (%)



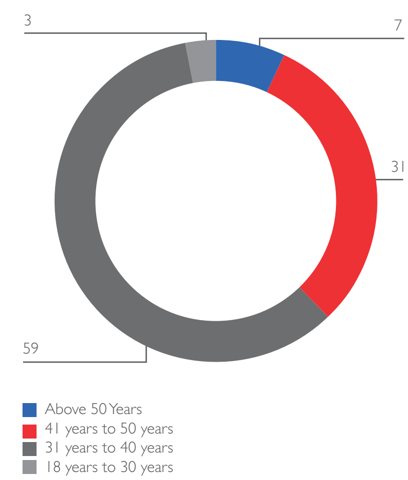
Diversity and Equal Opportunity

The Company believes in equal opportunity for all employees irrespective of gender, religion or race. It is this diversity of culture and people that allows the Company to be perceived as a respected and dignified employer in the corporate world. In our efforts to ensure a well-balanced workforce, the total representation of females in our workforce was increased to 28% in the year under review, while 262 individuals fall within the age group of 18 to 30 years, making the Company's workforce relatively young.

GENDER ANALYSIS (%)



AGE ANALYSIS (%)



Employee Turnover

During the year under review the overall employee turnover reduced to 24% from 29% in the previous year. This positive development was a result of lower levels of turnover from both sales and non-sales staff at 23% and 24% respectively. The Company's efforts during the year under review to motivate staff and assist them to realise their career aspirations and full potential is attributed to the reduced turnover levels.

Staff Turnover Ratio	2016/17	2015/16	2014/15	2013/14
Sales	23%	27%	34%	53%
Non-Sales	24%	30%	16%	23%
Overall	24%	29%	23%	34%

Creating a One-Culture Team

The success of the Company is dependent on creating an atmosphere of enjoyment and fulfilment in the workplace. Towards meeting this goal, creating a team that embraces one culture for organisational success is also a necessity. Thus, the Company has in place a comprehensive programme that allows for new recruits to be fully cognisant of the Company's norms and cultural preferences. An induction programme is also conducted to assist new employees in understanding the accepted processes and procedures of the Company together with an in-depth understanding of the Company's business operations. We believe that such programmes ease the way for new employees to settle down to their expected job roles, while creating an opportunity for them to build beneficial relationships with peers and colleagues. When required, the Company also conducts comprehensive on-the-job training to assist new employees to work without any undue disruptions.

Fostering a Performance-Centric Culture

As an achievement oriented Company, Orient Finance places performance management at the crux of its human resources function. The Company's performance management techniques are tailored to assess actual achievement against the identified KPIs of different staff categories. Skills required are identified for specific requirements and expectations of the different product/service segments of the Company. In addition, an objective-based monthly performance achievement tracking and feedback system is in place to align employee KPIs with corporate level performance targets.

To foster this performance-centric culture among employees and motivate them to work towards meeting their KPIs and ultimately the corporate level targets, a special event was held in the year under review to reward the employees who extended their fullest support to, and went the extra mile to achieve the Company's goals. This event, titled **"Pillars of Success" was held in July 2016.**

MANAGEMENT DISCUSSION AND ANALYSIS

Remuneration, Rewards & Benefits

The Company's remuneration and reward policy is on par with industry best standards and also aligned to the State Statutory Regulations. The Company follows a strict policy of fixing remuneration and rewards based on individual performance. We believe that performance driven policies enable all employees to receive a true and fair remuneration based on their efforts at work. An added advantage of our remuneration and rewards policy is that it is designed to drive productivity and improve individual and team contribution towards the achievement of corporate goals, while simultaneously recognising individual excellence. The high-end performers are duly recognised and receive financial or non-financial rewards together with opportunities to progress further up the career path.

The Remuneration Committee reviews the remuneration structure adopted by the Company at appropriate intervals to ensure equity, and assure competitiveness in the market place.

The Company also offers a range of benefits and incentives to our people such as annual bonus, hospitalisation and life insurance, cash gifts on birthdays, and meal allowances during extended work hours.

Training and Development

Training and Development is an integral part of the Human Capital Management process. Accordingly, the Company has in place a comprehensive training and development calendar aimed at educating, enhancing skills and knowledge development of the workforce, with the objective of enabling employees to achieve their full potential, while motivating them to improve their personal performance levels. As Training and Development plays a pivotal role in the achievement of corporate goals and objectives, the Company believes that investing today to achieve future growth potential will ensure the success of the Company in the longer term.

During the year under review, the Company allocated a training budget of Rs. 6.0 Million for internal and external development and training programmes encompassing a range of subjects from finance and risk management to sustainable business practices to cater to the diverse training needs of our people.

Workshop on Credit Management for Client Care & Operational Category Employees held in February 2016.

Outbound Training for Junior Executives held at Kalatuwawa in June 2016.

Fostering Employee Engagement and Work-Life Balance

The Company believes in employee engagement as an enabler of positive organisational social interactions as a means to develop long lasting and mutually understanding relationships among peers and colleagues. The Company organises several programmes that allow our employees to interact with each other in a social setting, thus allowing them to build social relationships and non-work-related interests.

During the year under review, the Company organised an Inter-Department Cricket Tournament in October 2016 at the Moors Sports Club Grounds aimed at building unity and team spirit among employees. The event was a great success with enthusiastic participation by our employees.

As a measure to further build team unity and leadership qualities among our employees, the Company encouraged our employees to form a Sports and Welfare Club during the year under review. The inaugural event organised by the Sports and Welfare Club was a blood donation campaign at the Head Office in March 2017. The event was a success with high participation of employees and General Public.

Service Mantra Training held for Regional and Branch Managers in November 2016.

Inter-Department Cricket Tournament

Employee-Management Relations

The Company is happy to note that employees and management have upheld cordial and understanding relations to date. The Company's "open-door policy" encourages employees to discuss their work-related problems and other grievances with their supervisor, Department Head or Head of HR as relevant. The Company's culture also encourages employees to not hesitate in requesting for any clarification with regards their work scope or any Company procedures and policies. Department Heads, Senior Management and the Chief Executive Officer always welcome any innovative ideas or suggestions by employees related to enhancing operational performance and improving customer satisfaction. All events held by the Company are attended by the Chief Executive Officer and the Senior Management allowing for an open platform for dialogue and an avenue to strengthen our efforts of establishing healthy employee-management relations.

SOCIAL SUSTAINABILITY

The Company's social sustainability initiatives are integrated with corporate responsibility activities aimed at serving the community within which we operate our business. During the year under review, the Company undertook several activities under the broad themes of 'encouraging a health-conscious society', and 'assisting people during their time of need'. Some of the programmes include;

Providing relief materials to landslide victims in the Aranayaka region in June 2016.

A Blood Donation campaign to the Colombo Blood Bank was organised by our employees based at our Head Offices in March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

A large number of Company employees took part in the 'Trail 2016 Campaign' launched to raise funds to build a cancer hospital in Galle. The Company also made a substantial donation towards encouraging employees in this very worthy cause.

OUR GREEN FOOTPRINT

Being a Company that operates in the Financial Services sector, the direct adverse impact of our business activities on the environment is minimal. However, we understand that we can contribute even in a small way towards environmental conservation by improving internal business processes and managing waste. Resultantly, during the year under review, the Company put in place the following measures to reduce our carbon footprint and indirectly contribute towards saving trees.

- Introduced a Document Scanning System – This has eliminated the requirement by the Company to print and store hard copies such as agreements, official letters and other important documents that are now scanned and electronically stored.
- Online approval - By introduced the online approval of Credit Facilities, the Company was able to reduce the necessity for printed copies to be provided for approval by relevant personnel.
- Promoting the recycling of paper - All paper being discarded by the Company is sent for recycling to external parties, while file covers are re-used for document filing purposes and take all photocopies double sided.
- Reducing energy consumption - The Company replaced all light bulbs at all locations of business operations with either LED or CFL bulbs, enabling a considerable saving of electricity.

CORPORATE GOVERNANCE

Corporate Governance refers to the structures and processes for the direction and control of the companies. It concerns the relationships among the management, Board of Directors, Shareholders and other stakeholders. A strong corporate culture and ethics are a vital strategy to survive and be profitable in a highly competitive market. Essentially Orient Finance, as a Finance Company is stabilized on trust and confidence placed by the public on the affairs of the Company. Therefore, the best Corporate Governance practices have been put in place at Orient Finance to achieve its vision while complying with statutory rules and regulations.

The Company is in compliance with the Directions on Corporate Governance issued by the following Institutions;

- Finance Companies Directions on Corporate Governance issued by the Central Bank of Sri Lanka.
- Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.
- Listing Rules issued by the Colombo Stock Exchange

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

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Code A.1	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Complied	Orient Finance is headed by an effective Board to direct, lead and control the Company.
Responsibilities of the Board			
Code A.1.2, 2.1 CBSL (a), (b)	The Board should be responsible for ensuring the formulation and implementation of a sound business strategy.	Complied	A sound business strategy crafted by the Board of Orient Finance PLC guides the Company to success in all its endeavours.
CBSL 2.1 (c), (e)	Identify risks and ensure implementation of appropriate systems by the Board of Directors.	Complied	The Company has in place an Integrated Risk Management Committee and Audit Committee to secure integrity of information, internal controls, and risk management. Effective systems have been implemented by the Company. Further, effectiveness of such systems is monitored by the Board, internal and external auditors and independent expert consultants when necessary and improvements are implemented accordingly.
CBSL 2.1 (d)	Approving a policy of communication with the stakeholders.	Complied	A proper Stakeholder Communication Policy has been approved and implemented to maintain proper communication with stakeholders. The Company maintains a website and periodically issues press releases. Communications from stakeholders are promptly attended to.
CBSL 2.1 (f),(g), (h)	Proper delegation of authorities to the Key Management Personnel.	Complied	The Board has identified and designated Key Management Personnel who are in position to exercise controls over operations and risk management.

CORPORATE GOVERNANCE

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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	Evaluation of Board own governance practices and assessed by the directors individually and collectively on a periodic basis.
CBSL 2.1 (j)	Adoption of an effective CEO and Senior Management Succession Plan.	Complied	A comprehensive succession plan has been approved by the Board.
CBSL 2.1 (l),(m)	Understanding of the regulatory environment and exercise due diligence in the hiring and oversight of external auditors.	Complied	The Board of Directors and the staff are continuously kept updated about regulatory developments and implications and the Board and Audit Committee exercise due diligence in hiring and oversight of External Auditors.
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	The Board has obtained independent professional advice where required.
CBSL 2.4	A director shall abstain from voting on any Board resolution in relation to 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 abstain from voting on any resolution in which the Directors have related party interest and he is not counted in the quorum for the relevant agenda item at the Board Meeting.
CBSL 2.5	The Board shall have a formal schedule of matters specially reserved to it for decision to ensure that the direction and the control of finance company is firmly under its authority.	Complied	The Board has a formal schedule of matters specially reserved for the Board of decision to ensure that the direction and control is firmly under its authority.
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 suspend payments due to depositors and other creditors forthwith inform the Director of the Department of supervision of Non-Bank Financial Institution of the situation of the finance company prior to taking any decision or action.	Complied	No such situation have arisen.
CBSL 2.7 CBSL 10.2 (j)	The Board shall include an annual corporate governance report in the annual report and external auditors' certification should be obtained.	Complied	The Company has included the Corporate Governance Report as required and external auditor's certification has been obtained for the same.
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	Self-assessment of each Director is performed annually and filed with the Company Secretary.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Meetings of the Board			
Code A.1.1 CBSL 3.1	The Board shall meet twelve times a financial year at approximately monthly intervals.	Complied	Board meetings were held in monthly intervals. The Board met 14 times during the year under review. The attendance of each director at these meetings is given at the end of this report.
Code A.1.5 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	Schedule of items and matters to be discussed in the Board Meeting are included in the agenda. Additionally, the Chairman frequently consults Directors with a view to ascertaining their requirements with regard to matters 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 the duties and responsibilities are satisfactorily discharged.
CBSL 3.3	A notice of at least 07 days shall be given for a regular Board meeting.	Complied	Sufficient notices have been given to the Board, to ensure all Directors an opportunity to attend. The annual calendar of meetings is adopted at the first meeting of the calendar year and any changes are agreed upon with adequate notice.
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 each Director at these meetings has been disclosed at the end of this report.
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	K H L Corporate Services (Pvt) Ltd has been appointed as the Company Secretary in line with the stipulated requirements.
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 a function.	Complied	The Company Secretary has been delegated with the responsibility of preparing the agenda for the board meeting.
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	A process is in place for Directors to have access to the Company Secretary.
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.	Complied	Minutes of Board Meetings are maintained by the Company Secretary. The minutes of the previous Board Meetings are adopted in the ensuing Board Meeting. The Board Minutes are available for inspection as and when required.

CORPORATE GOVERNANCE

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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	Board minutes are maintained in sufficient detail of data and information used by the Board in its deliberations, decisions and Board resolutions. Board minutes also contain and refer to the fact-finding discussions, matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations.
Composition of the Board			
Code A.10, A.10.1	Shareholders should be kept advised of relevant details in respect of Directors.	Complied	Required information on Board of Directors has been published in Annual Report under "Profiles of Directors" (page 15), "Related Party Transactions" (Page 98) and "Attendance of the Directors during the year" (Page 43).
CBSL 4.1	Number of Directors should not be less than 05 and more than 13.	Complied	The Board comprised of 07 Directors as at the financial year end.
CBSL 4.2	Total period of service of a Director should not exceed 09 years.	Complied	There are no Directors on the Board who had served the Company for more than nine years.
CBSL 4.3 Code A.5	Executive Directors shall not exceed one-half of the number of Directors of the Board.	Complied	All Board members are Non-Executive Directors.
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	Six out of Seven Directors are Independent non-executive Directors. The composition of the Board by category including their names is set out in page 52 in this Annual Report.
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	Required quorum 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 consist of persons with graduate, post graduate and professional qualifications in Banking, Accounting and related financial matters. Directors' financial acumen and knowledge is described under the "Board of Directors' Profile" on page 15 to 17 in this annual report.
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	Board performance is assessed to ensure that the experience and exposure of the Board Members are adequate to meet the strategic demands faced by the Company. The findings of the appraisals are taken into consideration in the appointment or reappointment of Directors. The existing Board collectively decides on new board appointments.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Criteria to assess the fitness and propriety of directors			
CBSL 5.1	The age of a person who serves as Director shall not exceed 70 years.	Complied	To date no Director has reached to 70 years. The Company Secretary maintains records of the age of the Directors.
CBSL 5.2	A person 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	All Directors have complied with this requirement.
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	All delegations are made in a manner that would not hinder/reduce the Board's ability to discharge its functions. The exercise of delegated authority is clearly monitored.
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	Delegation arrangements are periodically reviewed based on business requirements.
Chairman and 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	At Orient Finance, the positions of the CEO and Chairman are separated clearly to segregate the balance of power and responsibility. The Chairman is a Non-Executive Director while the CEO serves as an employee of the Company.
CBSL 7.3	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity 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 Board is aware that there are no relationships whatsoever, between the Chairman and Chief Executive Officer. Similarly no relationships prevail among the other members of the Board, other than being common Directors of 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 and appropriate issues are discussed	Complied	The Chairman complies with these requirements. He frequently discusses relevant matters with the other Directors and the CEO.
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 Company Secretary circulates formal agenda prior to the Board Meeting. This agenda is approved by the Chairman of the Board.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 7.6 Code A.6.1	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 sent with sufficient period prior to the meetings in order for Directors to request any other information if necessary.
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	All Directors are encouraged to actively participate in Board's affairs.
CBSL 7.8	The Chairman shall facilitate the effective contribution of Non –Executive Directors in particular and ensure constructive relationships between Executive & Non-Executive Directors.	Complied	
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 an Independent Non-Executive Director and does not involve in executive functions or in supervising any staff.
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 shareholders is maintained through Annual General Meeting and Extra Ordinary General Meetings. Moreover Annual Reports are delivered to shareholders before fifteen working days 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 of Orient Finance PLC functions as the apex executive-in-charge of the day-to-day management of the Company's operations and business.
Code A .11	The Board should be required, at least annually to assess the performance of the CEO.	Complied	At the commencement of the every financial year the Board in consultation with the CEO sets the reasonable financial and non-financial targets that should be met by the CEO during the year. The performance of the CEO was evaluated by the Board at the end of the fiscal year against the targets that had been set at the beginning.
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. All committees shall appoint a secretary to arrange the 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 Board has established an Audit Committee, Integrated Risk Management Committee, Related Party Transactions Review Committee and Remuneration Committee. Board Committees submit minutes to the Board. Each Committee has a designated secretary. The annual report contents reports regarding works of the Committees.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Audit Committee			
CBSL 8.2 (a)	The Chairman of the Committee shall be Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied	The Chairman of Audit Committee is a Non-Executive Director. Qualifications and experience are disclosed in page 16 of the Annual Report.
CBSL 8.2 (b)	All members of the Committee shall be Non-Executive Directors.	Complied	All three members of the Committee are Non-Executive Directors.
CBSL 8.2 (c)	The Committee shall make recommendations on matters in connection with: • the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; • the implementation of the Central Bank guidelines issued to auditors from time to time; • the application of the relevant accounting standards; and • the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the 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	The Audit Committee makes recommendations on the stated matters. A summary of the functions has been disclosed in the Audit Committee report in page 57 of the Annual Report.
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 Committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with Sri Lanka Auditing 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	The Company has a policy approved by the Board on engagement of non-audit services by the external auditors in order to safeguard External Auditors' objectivity and independence.
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: • an assessment of the Company's compliance with the relevant Directions-the management's internal controls over financial reporting; • the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and • the co-ordination between firms where more than one audit firm is involved	Complied	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/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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 Annual and Quarterly Financial Statements are prepared in accordance with Sri Lanka Accounting Standards and other legal requirements on going concern basis and presented to the Committee. Annual and Quarterly Financial Statements are approved by the Audit Committee, before submission to the Board. The statements are in conformity with the stated requirements.
CBSL 8.2 (i)	The Committee shall review the external auditor's Management Letter and the management's response thereto.	Complied	The Committee has reviewed the external auditor's Management Letter and the management response thereto.
CBSL 8.2 (j)	The Committee shall take the following steps with regard to the internal audit function of the Company. • 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; • 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; • (Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department • Recommend any appalment or termination of the head, senior staff member and outsourced service providers to the internal audit function. • 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 internal audit plan is reviewed and approved by the Audit Committee at the beginning of the year. Internal audit reports are discussed with the Audit Committee and necessary actions are taken. Internal Audit function is currently outsourced to KPMG (Chartered Accountants) The Internal audit function is an independent function with direct reporting to the Board Audit Committee.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 8.2 (l) CBSL 8.2 (h)	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 twice a year, the Committee shall meet with the external auditors without the Executive Directors being present. If necessary the committee shall discuss matters regarding Interim and Final audit without the Key Management Personnel being present.	Complied	The Committee met with the external auditors twice during the year at the Board Audit Committee meetings without the Executive Directors.
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 to attend, if necessary.	Complied	The terms of reference of the Board Audit Committee include scope and responsibilities of the Committee The Audit Committee is authorized to obtain external professional advice and to invite outsiders with relevant experience to attend if necessary. The Committee also has full access to information in order to investigate into matters relating to any matters within its terms of reference .
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 Committee has met 08 times during the financial year.
CBSL 8.2 (o)	The Board shall 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 Director at such meetings.	Complied	Details of the work of Audit Committee are disclosed in the page 57 to this Annual Report. Attendance has been disclosed at the end 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	Company Secretary keeps detailed minutes of the Committee meetings.
CBSL 8.2 (q)	The Committee shall ensure that proper arrangements are in place for the fair and independent investigation of matters and for appropriate follow –up and act as the key representative body for overseeing the finance company's relations with the external auditor.	Complied	The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on a regular basis to discharge this function.
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 Committee comprised of four Non-Executive Directors, CEO, AGM - Finance and SM-Risk and Compliance. The Committee met four times during the year and worked clearly with the key Management Personnel.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of 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	A process is in place to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Company on a monthly basis through appropriate risk indicators and management information. The Board is continuously kept informed on timely basis.
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 e risk limits as specified by the committee.	Complied	Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the committee
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 which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action.
CBSL 8.3 (e)	The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied	The Committee has met four times during the year under review. It has reviewed the business continuity plans.
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 Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied	The Committee did not come across any such material violations by staff during the year under review. Any non-compliance to regulations would be followed up by the Committee with the Board as and when detected.
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	Risk assessment reports submitted to the Committee are forwarded to Board members for their feedbacks.
CBSL 8.4 (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, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. Senior Manager - Risk and Compliance, carries out the compliance function and reports to the Committee periodically. The Board receives a compliance report monthly.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Related Party Transactions			
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 of the Company with its related parties. The Related Party Transaction Review Committee is in place in line with the Code of Best Practice on Related Party Transactions. Further Transactions carried out with related parties in the normal course of business are disclosed in Note 37 on "Related party Disclosures" In the Financial Statements.
CBSL 9.4	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 favourable treatment" than that is accorded to other similar constituents.	Complied	The Company treats all Related Parties on the same basis as they would treat unrelated counterparties for all transactions.
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	Relevant 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.
CBSL 10.2	The Board shall ensure following minimum disclosures are made in the annual report.		
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 54 of the annual report under "Directors Responsibility Statement".
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 55 of the Annual Report under "Directors Report on the Internal Control System".
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 Company obtained a certification from the external auditors on the effectiveness of the Internal Control mechanism.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
d	Details of directors including names, transactions with the finance company.	Complied	Relevant disclosures are included in the Annual Report page 15 to 17 and page 98.
e Code B.3	Fees, remuneration paid by the finance company to the directors in aggregate.	Complied	Relevant disclosures are made in the Annual Report page 80
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 the Annual Report page 98 under "Related Party Transactions".
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 the Annual Report page 98 under "Related Party Transactions".
h	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 included in the Annual Report page 54 under "Directors Responsibility Statement"
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.	Complied	There were no significant supervisory concerns on lapses in OFPLC's Risk Management or non-compliance with this Direction that had been pointed out by the Director of the Department of Supervision of Non-Bank Financial Institutions and requested by Monetary Board to be disclosed to the public.
j	The external auditor's certification of the compliance with these Directions in the Annual Corporate Governance Reports published after 01st January 2011.	Complied	The Company has obtained a certificate from external auditors over the compliance of Corporate Governance Directions. Further the Company is in the process of strengthening certain procedures based on the recommendations made by them.
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	Directors' Responsibility Statement which contained the Directors' Responsibilities included in the page 54 of this annual report and Auditors Responsibilities have been explained in the Auditors' Report in page 59.
Code D.1.4	The Annual Report should contain a "Management Discussion and Analysis".	Complied	Refer page 20 to 30 for the Management Discussion and Analysis.

Attendance of the Directors During the Year

Name of the Director	Board Meetings		Audit Committee Meetings		Integrated Risk Management Committee		Related Party Review Committee	
	Meetings Held	Attendance	Meetings Held	Attendance	Meetings Held	Attendance	Meetings Held	Attendance
Dr. D.C. Jayasuriya	14	14	-	-	4	4	-	-
Mr. Prakash Schaffter or by his alternate Mr. Ramesh Schaffter	14	10	-	-	-	-	-	-
Mr. Ramesh Schaffter (Resigned w.e.f 07th Oct 2016)	7	6	4	4	-	-	1	1
Mr. Ananda W. Atukorala	14	14	8	6	4	4	2	1
Mr. Sarath Wikramanayake (Resigned w.e.f. 23rd June 2016)	4	4	2	1	-	-	-	-
Mr. Anil Tittawella or by his alternate Mr. Ananda W. Atukorala	14	14	-	-	-	-	-	-
Mrs. Lakshmi K. Gunatilake	14	13	8	8	4	4	2	2
Mr. A. I. Fernando (Resigned w.e.f. 07th Oct 2016)	7	6	4	2	-	-	-	-
Ms. Minette D. A. Perera	14	14	8	8	-	-	2	2
Ms. Indrani Gunasekara	11	11	-	-	4	4	-	-

RISK MANAGEMENT

Due to the inherent risks confronted by business entities operating in the finance industry and the stringent regulatory framework within which such entities are mandated to operate, risk management has become an integral constituent in managing a Finance Company. At Orient Finance PLC, we recognize that risk taking is an indispensable element of its strategy and to the achievement of its long-term goals.

Our degree of 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 embedded approach to risk management.

The Board has 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, but not absolute, assurance that our assets are safeguarded, the risks required facing the business are being addressed and all information to be disclosed is reported to the senior management and the Board where 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 Internal Audit function plays a key role in providing an assurance to both operational management and in meeting the Board's objectives in ensuring the effectiveness of the systems of internal control and risk management throughout the Company. Accordingly, it helps to bring a systematic, disciplined approach to evaluate and improve the effectiveness of operational controls, governance processes and Risk Management.

Risk management at Orient takes place at three broad levels as follows;

Strategic Level	At the Strategic Level, the risk management function is mainly performed 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 ensures 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 the compliance with laid down policies, procedures and controls, and reviewing the outcome of operations, and measuring and analyzing 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, middle and back offices staff personnel. They are required to comply with approved policies, procedures and controls. Operational level staff personnel provide invaluable inputs to continuously improve risk related activities under taken in day-to-day operations.

Risk Management Governance

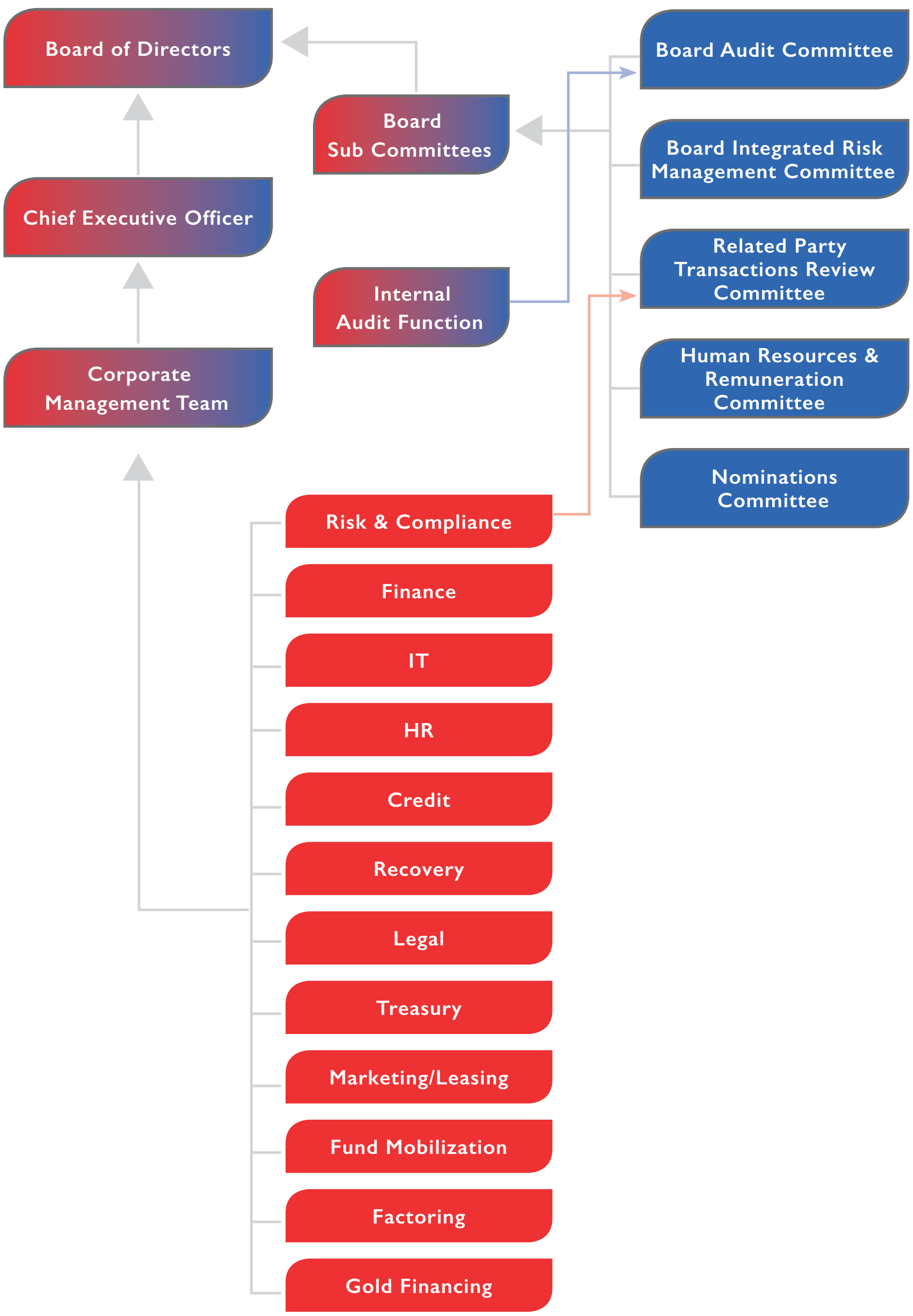
The Board of Directors, in principle is responsible for maintenance of prudent risk management mechanisms and orderly implementation of the risk framework in the Company. The Board approves the policies, strategies and systems and operational approach for risk management. The effective implementation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

The IRMC is a Board sub-committee, 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, AGM Finance and Senior Manager Risk and Compliance.

The 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 managerial personnel of the company.

The Company's Risk & Compliance function is independent from the risk assuming business functions. It provides an independent oversight function which co-ordinates, 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.

The broad risk management governance structure can be shown as follows;



Types of Risks

In achieving the Company's desired objectives, Orient Finance PLC is exposed to several risks which have been categorized as follows.

Credit Risk

Credit risk is the potential losses stemming from the failure of clients or counterparties to meet their financial obligations with the Company. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Credit is required to be granted according to the approved policies and procedures of the Company. The Credit Policy manual was reviewed during the year and approved by the Board of Directors. Special attention is given to Credit Risk Management in terms of analyzing customer credit worthiness through rigorous customer evaluations before and after accommodations are granted. The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner.

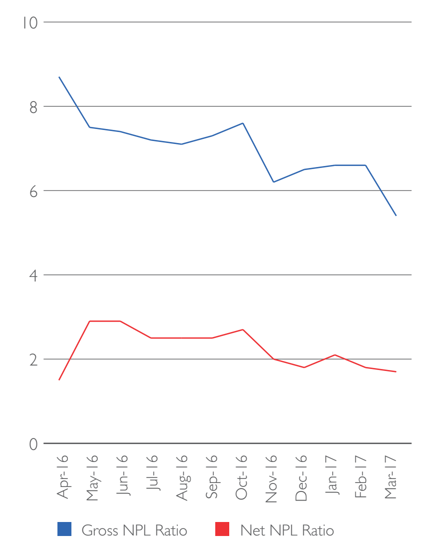
The Credit Policy plays a central role in managing daily business activities which provides guidelines for optimising the risk and return. The Company's credit approval process plays the most vital role in credit risk management on a day-to-day basis. The process defines the principles about delegation of lending authority, client selection, due diligence in line with the Company's risk appetite.

Credit risk based on asset quality

Fluctuations in the non-performing loans ratio are 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 different product categories. Company's NPL ratio is also compared with similar sized peers and the industry for benchmarking.

RISK MANAGEMENT

NPL (%)

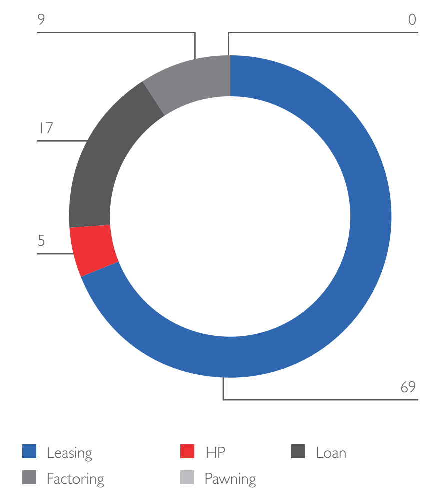


The Company regularly monitors credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends. Portfolio delinquency and loan impairments as well as portfolio quality are constantly monitored by the Recoveries Department.

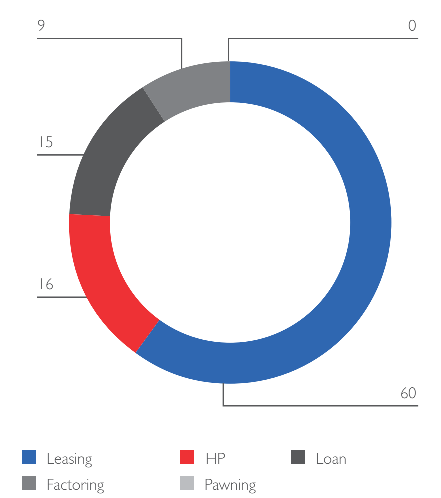
Credit Risk based on concentration

Uneven distribution of exposures to its borrowers or uneven distribution of exposures to particular sectors, regions, industries or products also give rise to credit risk since the same scenario would create concentration risk. It may arise from product range, industry sectors, asset categories, and geographical areas. Maintaining a satisfactory diversity in the said segments would provide the company with a safety buffer as it mitigates the concentration risk as any unfavourable impact from one segment may set off by the positive movement of the other.

PRODUCT CONCENTRATION AS AT 31.03.2017 (%)



PRODUCT CONCENTRATION AS AT 31.03.2016 (%)



Concentration risk is monitored through the variations in the KRI along with the set tolerance limits. On a regular basis asset wise, sector wise and branch wise concentration is monitored.

Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. It often challenges the balance between assets and liabilities through movements in interest rates, exchange rates, gold prices, etc which may adversely affect the Company.

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 for the Company. Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the net interest income of the Company.

Interest rate risk is managed principally through minimising interest rate sensitive asset and liability gaps. In order to mitigate the interest rate risk exposure, movements in interest rates are closely monitored. Excessive movements in market interest rate could bring severe volatility to Company's net interest income and net interest margin. Therefore, the Company focuses on maintains an adequate Net Interest Margin so that increases in interest expenses can be absorbed to a certain extent.

ALCO closely monitors the interest rate movements, and issues directions to lending and borrowing units on interest rate strategies

Liquidity Risk

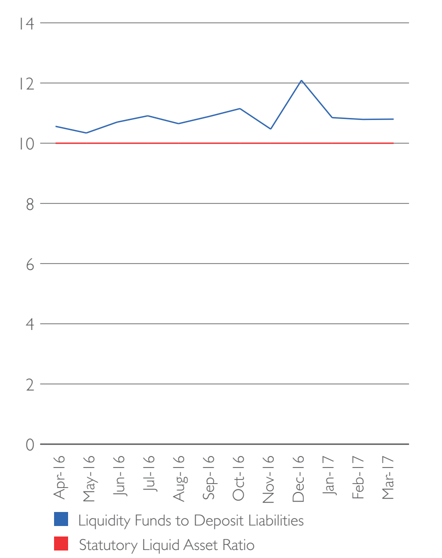
Liquidity risk refers to the risk that company does not have enough financial resources to meet its obligation as they fall due, without incurring excessive cost. In the case of Orient Finance this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of instalments on bank and other borrowings.

Management of mismatches in the timing of cash flows, effective management of liquidity is considered of 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.

Special attention is given on the liquidity of the Company as it provides critical defence against this and several other risks such as reputation, compliance, and financial risks. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

ALCO is the responsible monitoring body that oversees our liquidity management policies. Treasury Management Consultant attend the ALCO meetings and provide the required guidance. The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at the Company's monthly ALCO meetings. The pricing of deposit maturities are done in a way to control the maturity mismatches between our lending and borrowing portfolios.

LIQUIDITY RATIO (%)



Operational Risk

Operational risk is considered to be the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events.

The Company seeks to minimise exposure to operational risk, subject to cost trade-offs. Possible losses to the company's assets due to unforeseen events have been covered with comprehensive insurance policies. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

Board Integrated Risk Management Committee oversee the management of operational risks at the strategic level. In addition, the Board Audit Committee also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with confidence that operational risks are being proactively identified and effectively managed. Further, awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls.

Human Resource Risk

Being a service oriented company, its main processes revolve round people. Therefore, people become the most important and the most valuable asset of the Company. Its ability to attract, develop, organise and retain the right number of appropriately qualified people is critical if we are to compete and grow effectively.

Failure to employ suitable personnel for relevant tasks, lack of proper performance recognition mechanisms and losses arising from conduct 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 the strict 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 focussed training and development programmes available to all employees across the company, on a needs basis

Technology Risk

The technological risk arises due to increasing complexity of cyber-attacks, obsolescence, unexpected break downs of IT systems and loss of sensitive and valuable information. These possibilities can have an adverse impact on the financial position of the company. The Company's IT 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 organizational sustainability. Senior Manager IT and the IT team monitors and controls the integrity of the IT infrastructure and data. Special attention has been given for the risk related to the cyber-attacks.

A business continuity plan has been established recognizing the threats and risks the Company faces, with an eye to ensure that people and other assets are protected and able to function in the event of a disaster.

Compliance Risk

Compliance risk is defined as the potential threat to the 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 Company to civil and/or criminal actions leading to damages, fines and criminal sanctions and/or its employees with possible consequences for its corporate reputation.

RISK MANAGEMENT

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. It disseminates the regulatory directives through internal memorandums based on the requirement.

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 reputation 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.

The Company mitigates the reputational risk through good governance practices and risk management practices. Further the Company focuses on efficient and timely communication among all stakeholders.

Strategic Risk

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

A comprehensive strategic plan for the next three years is in place with quantitative targets As the Company is operating in a challenging and dynamic market, strategic plan of the Company is monitored regularly to assess the possible obstacle that would arise in achieving the strategic objectives.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board is ultimately responsible for setting the risk appetite and for the effective management of risk. Operating under the delegated authority of the Board, the Board Integrated Risk Management Committee (IRMC) performs the oversight function through an integrated approach in relation to different types of risks faced by the Company in its business operations and ensures the sufficiency of the risk management framework of the Company.

Composition of the Committee

The Board appointed Integrated Risk Management Committee (IRMC) as at the end of the financial year comprised of the following members:

Dr. Dayanath Jayasuriya * - Chairman

Ms. L. K. Gunatilake * - Director

Mr. A. W. Atukorala * - Director

Ms. Indrani Goonasekera * - Director

Mr. Mayura Fernando – Chief Executive Officer

Mr. Asela Wijayabandara – Assistant General Manager Finance

Ms. Sameera Kaumudi – Senior Manager Risk and Compliance

* Independent Non- Executive Director

Charter of the Committee

The Board appointed Integrated Risk Management 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. The composition and the scope of work of the Committee is in conformity with the provisions of the aforesaid Direction.

The charter of the IRMC was reviewed by the Board of Directors in March 2017. The IRMC charter clearly sets out the membership, source of authority, duties and the responsibilities of the IRMC.

Committee meetings and methodology

The Committee held 04 meetings during the year under review. The attendance of members is listed on page 43 of the Annual Report.

The IRMC assists the Board of Directors in performing its oversight function in relation to different types of risks faced by the Company in its business operations and ensures the adequacy of the risk management practices of the Company.

The Committee assesses all key risks such as Credit, Market, Liquidity, Operational, etc through a set of risk indicators. The Committee continued to work closely with the Key Management Personnel and the Board in fulfilling its responsibilities for Risk Management .

Activities of the Committee

The approved Charter for the Board IRMC stipulates authority, structure and task of the IRMC. Accordingly, the primary responsibilities of IRMC include;

- Oversight and review of the implementation of risk management as well as compliance and control systems.
- Assess all risks, i.e., credit, market, liquidity, operational, legal and reputational and strategic risks to the Organisation on a monthly basis through appropriate risk indicators and management information along with a detailed risk assessment on quarterly basis
- Take prompt corrective action to mitigate the effects of specific risks. In the event such risks are at levels beyond the prudent levels decided by the committee, the committee need to address such specific risks manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Review the sufficiency of personnel, systems, procedures and other risk management issues.
- Review and assess the integrity and adequacy of the Risk Management Function, including processes and organizational structure.
- Monitor changes anticipated for the economic and business environment, including consideration of emerging trends, organizational and regulatory changes as well as other factors considered relevant to the organization's risk profile.
- Review and approve organization's Disaster Recovery and Business Continuity Plan
- Review the adequacy and effectiveness of all management level committees.
- 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 actions as recommended by the committee, and/or as directed by the NBFI of Central Bank of Sri Lanka.

In addition to the above, the Committee may perform such other functions, which are necessary or appropriate for the discharge of its duty.

Activities in FY 2016/17

- Reviewed the asset quality covering the non-performing advances, product wise credit quality, provision coverage and comparison against industry and peers.
- Reviewed the liquidity management strategies of the Company.
- Reviewed the effectiveness of the strategies in place to minimise the maturity mismatches.
- Reviewed the impact on net interest income triggered by the macro-economic changes.
- Assessed the Company's compliance with laws, regulations and regulatory guidelines, internal policies in all areas of business operations.

In relation to the above activities, the Committee proposed certain modifications and better controls.

On behalf of the Board Integrated Risk Management Committee

Dr. Dayanath Jayasuriya
Chairman - Board Integrated Risk Management Committee

21 July 2017

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Composition

The Remuneration Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director, namely

Mr. Ananda W. Atukorala – Chairman (Independent Non-Executive Director)

Mr. Prakash Schaffter (Non-Executive Director)

Mr. Anil Tittawella (Independent Non-Executive Director)

The Committee is headed by an Independent Non-Executive Director Mr. Ananda W. Atukorala, with the Company Secretary as the Secretary of the Committee. The Chief Executive Officer (CEO) was available to assist in the deliberations of the Committee along with Senior Manager – Human Resources or any others as required, and attended meetings by invitation.

The Remuneration Committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration arrangements in Orient Finance PLC align reward with performance. The Committee has the authority to discuss matters under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter.

Functions

The Remuneration Committee operates compliant with the authority granted by the Board and its activities are governed by the Board.

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 Corporate Management and Managerial Staff.

The CEO advised the Committee regarding the importance of reviewing the remuneration structure periodically and to evaluate 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 high-caliber people, at all levels of the organizational 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 organization.

The policy is designed to recognize 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.

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

The Committee met to review the results of the Annual Performance Evaluation and its incremental impact on the total remuneration cost of the Company. At the meeting the Committee specifically reviewed performance of the Senior Management and makes recommendations to the Board in respect of the remuneration increases and promotions of the Senior Members of the management as it is designated to consider.

Minutes of the meetings and the recommendations of the Remuneration Committee were presented to the Board of Directors for Approval & Ratifications.

Ananda W. Atukorala
Chairman - Human Resources and Remuneration Committee

21 July 2017

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 2017. 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 and Hire Purchase facilities, Vehicle Loans, Debt Factoring, Pawning Advances and other credit facilities.

Review of Operations

A review of the operations of Orient Finance PLC during the financial year 2016/17 is contained in the Chairman's Message, CEO's Review and Management Discussion and Analysis (pages 7, 11 and 20). These reports form an integral part of this Annual Report.

Stated Capital

The Company's Stated Capital stood at Rs.1,378,689,779.00 as at 31st March 2017.

Reserves

The Company's retained earnings and other reserves as at 31st March 2017 amounting to Rs. 1,121,037,280.00 Movements of reserves and the break up are given in Statement of Changes in Equity on page 63.

Issue of Shares or Debentures

The Company issued 4,000,496 preference shares by way of right issue and raised Rs. 400,049,600.00 during the year under review and details of the shares are disclosed in Note 28 of this Annual Report. There were no new issues of ordinary shares and debentures during the Financial Year.

Shareholding and Share Information

The Company had 574 registered ordinary shareholders as at 31st March 2017. The distribution of shareholding and major shareholders are given on page 109.

Debenture Holding and Debenture Information

The Debentures of the Company as at 31st March 2017 amounted to Rs. 1,000,000,000/- consisting of 10,000,000 debentures at Rs. 100/- each and quoted on the Main Board of the Colombo Stock Exchange.

Future Developments

An overview of the future developments of the Company is given in the Chairman's Message (pages 7 to 9), the Chief Executive Officer's Review (pages 11 to 13), and Management Discussion and Analysis (pages 20 to 30).

Financial Statements

The Audited Financial Statements of the Company for the year ended 31st March 2017 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 60 to 106 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 66 to 78.

Income, Profit & Appropriations

Provided below is a summary of the financial results of the Company's operations during the year ended 31st March 2017.

	2017 (Rs.Mn)	2016 (Rs.Mn)
Income	3309.7	2363.1
Profit Before Taxation	301.4	295.8
Less: Income Tax (Expense)/ Reversal	(43.8)	311.0
Profit for the year	257.6	606.8
Balance brought forward from the previous year	455.8	(20.1)
Transferred to Statutory Reserve Fund	(12.8)	(121.4)
Transfer of Revaluation amount relevant to disposal of land		
Transfer of Investment Fund Account Balance		
Dividend Paid	-	-
Equity Transaction Cost on IPO	-	(4.8)
Transfer from Other Comprehensive Income	0.2	(1.3)
Written off of AFS Financial Assets	-	(3.4)
Balance carried forward	700.8	455.8
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 41 to the financial statements and proposed dividend as stated below.

Dividends

The Directors have recommended a First and Final Dividend of Rs. 0.25 per share for the year 2016/17 to be paid to holders as of the shareholding as at 18 August 2017 amounting to Rs. 37,004,592.50 on ordinary shares issued by the company. The Board is satisfied with the solvency test in terms of the provisions of the Companies Act. No. 7 of 2007 immediately after the distribution of the proposed dividend payment for the year 2016/2017. The Statement of the Solvency prepared by the Board was authorized by the Company's Auditors M/s BDO Partners, Chartered Accountants..

Corporate Donations

During the year under review, the Company has made donations amounting to Rs. 600,155.00 (2016 – Rs. 37,325.00).

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 24 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 2017.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters, required to be addressed in terms of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

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 the Audit Committee, Integrated Risk Management Committee, Remuneration 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.

Dr. D.C. Jayasuriya PC	Chairman - Independent - Non Executive Director
Mr. Prakash Schaffter	Non-Executive Director
Mr. Ananda W. Atukorala	Independent - Non Executive Director
Mrs. Lakshmi K. Gunatilake	Independent - Non Executive Director
Mr. Anil Tittawella	Independent - Non Executive Director
Ms. Minette. D. A. Perera	Independent - Non-Executive Director
Ms. Indrani Goonesekera	Independent - Non Executive Director
Mr. Ramesh Schaffter	Resigned with effect from 07th October 2016. Appointed as an Alternate Director to Mr. P. Schaffter on 27th December 2016
Mr. A. I. Fernando	Resigned with effect from 07th October 2016
Mr. Sarath Wikramanayake	Resigned with effect from 07th July 2016

The profiles of the Directors are given in pages 15 to 17 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
Dr. D.C. Jayasuriya PC	Nil
Mr. Prakash Schaffter	10
Mr. Ananda W. Atukorala	Nil
Mrs. Lakshmi K. Gunatilake	Nil
Mr. Anil Tittawella	Nil
Ms. Minette D. A. Perera	Nil
Ms. Indrani Goonesekara	Nil
Mr. Ramesh Schaffter -Alternate Director to Mr. Prakash Schaffter	10

Directors' Interest in Debentures of the Company

There were no debentures registered in the name of any Director as at 31st March 2017.

Directors' Responsibility Statement

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 54 forms an integral part of the Annual Report of the Board of Directors.

Related Party Transactions

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 37 to the financial statements forming part of the Annual Report of the Board.

Environment

The Company has used its best endeavours 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.

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 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 2017 was 447 (31st March 2016 – 421)

Auditors

The Company's Auditors during the period under review were, M/s BDO Partners, (Chartered Accountants). The Board has authorized the payment of Rs. 1,352,500.00 as Audit Fees for the year 2016/17. (The Auditors were paid Rs. 1,882,380 as Audit Fees for the year 2015/16).

The retiring Auditors, M/s BDO Partners, have expressed their willingness to continue in office for the financial year 2017/18. 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 18 August 2017.

Annual General Meeting

The Annual General Meeting will be held on 18 August 2017. The notice of the meeting relating to the thirty fourth Annual General Meeting is given on page 118.

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:

Dr. Dayanath Jayasuriya P.C
Chairman

P. A. Schaffter
Director

K H L Corporate Services Limited
Company Secretaries

21 July 2017

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 page 59 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 2017; 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 2017.

In preparing the financial statements of the Company for the year ended 31st March 2017, 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.

K H L Corporate Services Limited
Secretaries

21 July 2017

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.

M/S KPMG have been appointed as the internal auditors and they review the Company's compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures. 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;

Dr. D.C. Jayasuriya - PC
Chairman

Prakash Schaffter
Non-Executive Director

Minette Perera
Chairman – Audit Committee

21 July 2017

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board established the Board Related Party Transactions Review Committee with effect from 1 January 2016 in accordance with the Section 9.2 of the Listing Rules of the Colombo Stock Exchange. The main objective was to ensure compliance with the rules and regulations governing Related Party Transactions for listed entities and thereby to enhance its internal control mechanisms.

Composition of the Committee

The Related Party Transactions Review Committee was appointed by the Board of Directors of the Company. As at 31 March 2017 it comprised of the following Directors:

Ms. Minette Perera - Chairperson of the Committee

Mr. Ananda W. Atukorala - A member of the Committee

Ms. Lakshmi K. Gunatilake - A member of the Committee

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

Charter of the Committee

The Board Related Party Transactions Review Committee Charter clearly sets out the membership, source of authority, duties and the responsibilities of the Committee.

The charter of the Committee was reviewed in September 2016.

Committee Meetings

The Committee held two meetings during the year under review.

The proceedings of the Committee meetings which mainly included activities under its Committee Charter 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 43 of the Annual Report.

Roles and Responsibilities of the Committee

The role and the responsibilities of the Committee are derived from the Code and the Rules and include the following:

- Reviewing in advance all proposed RPTs in compliance with the provisions of the Listing Rules.
- Determining whether RPTs that are entered into by the Company require the approval of the Board or Shareholders of the Company.
- Assessing the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on RPTs.
- Advising the Board in making immediate market disclosures on applicable RPTs as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Advising the Board in making appropriate disclosures on RPTs in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the CSE.

On behalf of the Board Related Party Transactions Review Committee

Minette Perera
Chairperson - Board Related Party Transactions Review Committee

21 July 2017

BOARD AUDIT COMMITTEE REPORT

The Audit Committee (Committee) appointed by the Board consist of three Non-Executive Independent Directors. It is chaired by an 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 31 March 2017 it comprised of the following Directors :

Ms. Minette Perera– Chairperson of the Committee

Mr. Ananda W. Atukorala - A member of the Committee

Ms. Lakshmi K. Gunatilake - A member of the Committee

The profiles of the members are given on pages 14 to 17 in this Annual Report.

The Company Secretary functions as the Secretary to the Board Audit Committee.

Terms of Reference of the Committee

The 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 Executive Officer, AGM – Finance and Senior Manager- 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 43 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

As in the previous years, the Internal Audit function has been outsourced and the internal audit plan for the year was discussed and approved by the Committee.

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 2018, subject to the approval of the shareholders at the Annual General Meeting.

On behalf of the Board Audit Committee

Minette Perera
Chairperson - Board Audit Committee

21 July 2017

FINANCIAL STATEMENTS

Scan to view the Financial Statements at www.orientfinance.lk/financial reports/

INDEPENDENT AUDITOR'S REPORT

BDO

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 Financial Statements

We have audited the accompanying financial statements of Orient Finance PLC, which comprise the statement of financial position as at 31st March, 2017 and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 60 to 106.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Orient Finance PLC as at 31st March, 2017 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- 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.
- The financial statements of the company, comply with the requirements of Section 151 of the Companies Act No.07 of 2007

BDO Partners

CHARTERED ACCOUNTANTS
Colombo

27th June, 2017
VR/dm

INCOME STATEMENT

For the year ended 31st March,	Note	2017 Rs.	2016 Rs.
Income	4	3,309,736,196	2,363,151,672
Interest income	5	3,128,709,442	2,229,745,733
Interest expenses	6	(1,836,496,004)	(1,096,452,702)
Net interest income		1,292,213,438	1,133,293,031
Fee and commission income	7	129,889,739	84,986,691
Other operating income	8	51,137,015	48,419,248
Total operating income		1,473,240,192	1,266,698,970
Impairment charges/(reversal) for loans and receivables to customers	9	(321,776,210)	(328,996,613)
Net operating income		1,151,463,982	937,702,357
Operating expenses			
Personnel expenses	10	(323,775,954)	(257,838,040)
Depreciation and amortization		(30,940,656)	(41,927,462)
Other operating expenses	11	(418,517,028)	(340,434,035)
Operating profit before Value Added Tax and NBT		378,230,344	297,502,820
Value Added Tax and NBT on financial services		(76,750,858)	(1,642,102)
Profit before income tax		301,479,486	295,860,718
Income tax expense	12	(43,803,275)	311,011,817
Profit for the year		257,676,211	606,872,535
Basic earnings per share (Rs.)	13.1	1.74	7.00
Diluted earnings per share (Rs.)	13.2	1.74	7.00
Dividend per share (Rs.)	14	-	-

Figures in brackets indicate deductions.

The significant accounting policies and the notes from pages 66 to 106 form an integral part of these financial statements.

Colombo

27th June, 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March,	Note	2017 Rs.	2016 Rs.
Profit for the year		257,676,211	606,872,535
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods			
Available for sale financial assets - Net change in fair value		(1,168,048)	(377,544)
		(1,168,048)	(377,544)
Other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods			
Actuarial gain/(loss) on retirement benefit plan	31.1	330,448	(1,860,920)
Deferred tax effect on above		(92,525)	521,058
		237,923	(1,339,862)
Other comprehensive income/(expenses) for the year net of tax		(930,125)	(1,717,406)
Total comprehensive income for the year net of tax		256,746,086	605,155,129

Figures in brackets indicate deductions.

The significant accounting policies and the notes from pages 66 to 106 form an integral part of these financial statements.

Colombo

27th June, 2017

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2017 Rs.	2016 Rs.
ASSETS			
Cash and cash equivalents	15	107,894,350	231,677,698
Available for sale financial assets	16	839,887,069	756,124,104
Loans and receivables to customers	17	16,416,103,144	13,839,304,166
Investments with banks and other financial institutions	18	369,160,064	432,329,213
Other assets	19	197,047,025	247,641,495
Real estate stock	20	22,469,524	46,407,850
Deferred tax asset	21	275,622,280	319,518,080
Goodwill	22	564,545,746	564,545,746
Brand value	22.1	235,880,000	235,880,000
Intangible assets	23	105,510	517,658
Property,plant and equipment	24	421,315,170	438,736,121
Total assets		19,450,029,882	17,112,682,131
LIABILITIES			
Bank overdrafts	15	598,251,884	433,373,124
Deposits from customers	25	9,565,559,962	9,249,312,393
Interest bearing borrowings	26	4,815,150,455	3,262,737,550
Term debts	27	985,716,469	1,176,912,865
Redeemable Preference shares	28	406,954,566	-
Current tax payable	29	2,136,340	2,136,340
Other liabilities	30	530,785,736	704,484,745
Non interest bearing security deposits		848,126	1,891,105
Retirement benefit obligations	31	44,899,285	38,853,036
Total liabilities		16,950,302,823	14,869,701,158
EQUITY			
Stated capital	32	1,378,689,779	1,378,689,779
Statutory reserve fund	33	305,274,930	292,391,119
Available for sale reserve	34	(1,545,592)	(377,544)
Revaluation reserve		116,471,908	116,471,908
Retained earnings		700,836,034	455,805,711
Total equity		2,499,727,059	2,242,980,973
Total equity and liabilities		19,450,029,882	17,112,682,131
Net assets per share		16.89	15.15

Figures in brackets indicate deductions.

The significant accounting policies and the notes from pages 66 to 106 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.

Asela Wijayabandara
Asst. General Manager - Finance

Mayura Fernando
Chief Executive Officer

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;

Dr. Dayanath Jayasuriya
Chairman

Prakash Schaffter
Director

Colombo
27th June, 2017

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017,	Stated Capital	Statutory reserve fund	Revaluation reserve	Available for sale value reserve	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2015	306,024,990	171,016,612	116,471,908	(3,374,004)	(20,140,382)	569,999,124
Issue of ordinary shares	1,072,664,789				-	1,072,664,789
Equity transaction cost relating to IPO					(4,838,069)	(4,838,069)
Profit for the year	-	-	-	-	606,872,535	606,872,535
Written off of available for sale financial assets				3,374,004	(3,374,004)	-
Other comprehensive income net of taxes	-	-	-	(377,544)	(1,339,862)	(1,717,406)
Transfer to statutory reserve	-	121,374,507	-	-	(121,374,507)	-
Balance as at 31 March 2016	1,378,689,779	292,391,119	116,471,908	(377,544)	455,805,711	2,242,980,973
Profit for the year	-	-	-	-	257,676,211	257,676,211
Other comprehensive income net of taxes	-	-	-	(1,168,048)	237,923	(930,125)
Transfer to statutory reserve	-	12,883,811	-	-	(12,883,811)	-
Balance as at 31 March 2017	1,378,689,779	305,274,930	116,471,908	(1,545,592)	700,836,034	2,499,727,059

Figures in brackets indicate deductions.

The significant accounting policies and the notes from pages 66 to 106 form an integral part of these financial statements.

Colombo
27th June, 2017

STATEMENT OF CASH FLOWS

For the year ended 31st March	2017 Rs.	2016 Rs.
Cash flows from operating activities		
Profit before income tax expense	301,479,486	295,860,718
Adjustment for;		
Depreciation/Amortization	30,940,656	41,927,462
Profit on disposal of property,plant and equipment	(15,283,673)	(36,700,876)
Impairment charge/(reversal)	321,776,210	328,996,613
Finance expenses	1,836,496,004	1,096,452,702
Profit on sale of real estate	(6,105,716)	(595,136)
Investment income	(113,697,831)	(82,814,997)
Provision for gratuity	9,683,361	2,552,085
Operating profit before working capital changes	2,365,288,497	1,645,678,571
Change in loans and receivables to customers	(2,898,575,188)	(1,719,073,346)
Change in other assets	50,594,470	(57,394,929)
Change in deposits from customers	357,310,126	61,939,527
Change in other liabilities	(173,699,009)	(334,034,620)
Change in non interest bearing security margins	(1,042,979)	(695,045)
	(300,124,083)	(403,579,842)
Interest paid	(1,733,759,188)	(816,799,568)
Income tax paid	-	(2,498,544)
Gratuity paid	(3,306,663)	(23,393,426)
Net cash used in operating activities	(2,037,189,934)	(1,246,271,381)
Cash flows from investing activities		
Acquisition of property,plant and equipment	(17,962,347)	(16,248,351)
Proceeds from sale of property,plant and equipment	20,138,462	54,951,092
Proceeds from sale of real estate	30,044,042	1,414,722
Net change in available for sale financial assets	(84,931,013)	56,965,581
Net change in investments with bank and other financial institutions	63,169,149	(298,234,218)
Investment income received	113,697,831	82,814,997
Payments made to former Orient Finance PLC shareholders	-	(1,730,906,250)
Net cash generated from / (used in) investing activities	124,156,124	(1,849,242,427)

For the year ended 31st March	2017 Rs.	2016 Rs.
Cash flows from financing activities		
Interest bearing borrowings obtained	10,143,888,000	5,839,980,152
Repayment of interest bearing borrowings	(8,619,381,487)	(4,440,414,808)
Interest paid on debentures	(96,184,411)	(71,258,080)
Repayment of Debentures	(204,000,000)	-
Proceeds from share issue		1,072,664,789
Proceeds from Preference shares issue	400,049,600	-
Expenses incurred for IPO	-	(4,838,069)
Proceeds received from related party	-	265,825,725
Net cash generated from financing activities	1,624,371,702	2,661,959,709
Net change in cash and cash equivalents	(288,662,108)	(433,554,098)
Cash and cash equivalents at the beginning of the year	(201,695,426)	107,415,559
Net Cash transferred from former Orient Finance PLC at the time of amalgamation	-	124,443,113
Cash and cash equivalents at the end of the year (Note A)	(490,357,534)	(201,695,426)

Note A

Analysis of cash and cash equivalents at the end of the year

Cash in hand	85,700,169	25,988,300
Cash at bank	22,194,181	205,689,398
Bank overdrafts - secured	(598,251,884)	(433,373,124)
	(490,357,534)	(201,695,426)

Figures in brackets indicate deductions.

The significant accounting policies and the notes from pages 66 to 106 form an integral part of these financial statements.

Colombo
27th June, 2017

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

1.1 Corporate information

Orient Finance PLC (the "Company") is a company incorporated and domiciled in Sri Lanka under the Companies Act No. 07 of 2007 and approved under Finance Lease Act, No. 56 of 2000 and Finance Business Act No. 42 of 2011 and is 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 No.18, Sri Sangaraja Mawatha, Colombo 10.

1.2 Principal activities and nature of operations

The principal activities of the company are comprised of finance leasing, hire purchasing, debt factoring, mobilization of deposits and pawning advances.

1.3 Parent entity and ultimate parent entity

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

1.4 Directors' responsibility statement

The board of directors takes the responsibility for the preparation and presentation of these financial statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKAS and SLFRS.

1.5 Date of authorization

The financial statements of the company for the year ended 31 March 2017 were authorized to issue by the board of directors on 27th June, 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The statement of financial position as at 31st March, 2017 income statement, Statement of Profit or Loss and other comprehensive income, statement of changes in equity and statement of cash flows, together with the notes 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 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 historical cost basis except for the following material items in the statement of financial position;

- Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation.
- Available-for -sale financial assets are measured at 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 36 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the notes to the financial statements.

2.6 Comparative information

The accounting policies have been consistently applied by the company with those of the previous financial year in accordance with LKAS 01 "Presentation of Financial Statements" except those resulted to change as the revision or application of new SLFRSs/LKASs. Further comparative information is reclassified wherever necessary to comply with the current presentation.

2.7 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgements, 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 recognized in the period in which the estimate is revised and in any future periods affected.

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

2.7.1 Going concern

The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management 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.

2.7.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on 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, judgement is required to establish fair values.

2.7.3 Impairment losses on loans and advances

The company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Income Statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan to collateral ratio, level of restructured performing loans, etc.), and judgement on the effect of concentrations of risks and economic data.

The impairment loss on loans and advances is discussed in detail under note 17 to the financial statements.

2.7.4 Impairment of available for sale investments

The company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

The company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.7.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.7.6 Impairment losses on other financial assets

The company assesses whether there are any indicators of impairment for an asset or a cash generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate doing so. This requires the estimation of the 'value in use' of such individual assets or the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

2.7.7 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow 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 asset discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.7.8 Defined benefit obligation

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.

2.7.9 Useful economic lives of property, plant and equipment

Useful economic lives of property, plant and equipment are estimated as disclosed in the note 3.3.4 to the financial statements.

2.7.10 Useful economic lives of intangible assets

Useful economic lives of intangible assets are estimated as disclosed in the note 3.5.1.1 and 3.5.2.1 to the financial statements.

3. 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 lease and hire purchase receivables, loans and advances, deposits and debt securities issued 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 purpose and characteristics and the management's intention in acquiring them.

All financial instruments are initially measured at their fair value plus transaction costs, except in the case of financial assets and liabilities as per the Sri Lanka Accounting Standard – LKAS 39 on " Financial Instruments : Recognition and Measurement" recorded at fair value through profit or loss.

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

3.1.3 "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'interest income and personnel expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or Loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.1.4 Classification and subsequent measurement of financial assets

At inception financial assets are classified into one of the following categories:

- At fair value through profit or loss, and within this category as :
  - Held for trading; or
  - Designated at fair value through profit or loss
- Held-to-maturity
- Available for Sale
- Loans and receivables

The subsequent measurement of the financial assets depends on their classification.

3.1.4.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss which are discussed below.

The company has not designated any financial assets upon initial recognition at fair value through profit or loss.

3.1.4.1.1 Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss.

The company evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the company may elect to reclassify these financial assets in rare circumstances.

3.1.4.1.2 Financial assets designated at fair value through profit or loss

The company designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or

Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'interest income', using the EIR, while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

The company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

3.1.4.2 Held to maturity financial investments

Held to maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the income statement. The losses arising from impairment of such investments are recognised in the income statement in 'Impairment changes for loans and other losses'.

If the company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the company would be prohibited from classifying any financial asset as held to maturity during the following two years.

The company has not designated any financial assets as held to maturity during the financial year.

3.1.4.3 Available for sale financial assets

Available-for-sale investments include equity securities and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity through other comprehensive income in the 'available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recycled to the income statement in 'other operating income'. Where the company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for- sale financial investments is reported as 'interest income' using the EIR.

Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as 'other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'impairment losses on financial investments' and removed from the 'available for sale reserve'.

3.1.4.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 finance income in the income statement. The losses arising from impairment are recognised in the income statement in 'Impairment changes for loans and other losses'.

Loans and receivables include loans and advances to customers and other loans and advances.

3.1.4.5 Loans and advances to customers

Loans and advances to customers include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances to customers include hire purchase, lease receivable, factoring and pawning advances.

When the company is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Assets hired to customers under hire purchase agreements which transfer all the risks and rewards incidentals to ownership as well as the legal tittle at the end of such contractual period are classified as hire purchase (HP) arrangements.

Amount receivable under finance leases and hire purchases net of initial rentals received, unearned lease income and provision for impairment are classified as hire purchases and Lease receivable and are presented within Loans and Advances to customers.

After initial measurement, amounts 'loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest and similar income' in the income statement. The losses arising from impairment are recognised in the income statement in 'impairment of changes for loans and other losses''.

3.1.5 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

They are brought to 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.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks and net of outstanding bank overdrafts.

3.1.6 Financial liabilities

3.1.6.1 Classification and subsequent measurement of financial liabilities

At inception a financial liability is classified into one of the following categories:

- At fair value through profit or loss, and within this category as :
  - Held for trading; or
  - Designated at fair value through profit or loss.
- At amortised cost

The subsequent measurement of financial liabilities depends on their classification.

3.1.6.2 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.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "net gain or loss on financial assets and liabilities designated at fair value through profit or loss". The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

3.1.6.3 Financial liabilities at amortised cost

Financial instruments issued by the company that are not designated at fair value through profit or loss, are classified as liabilities under 'deposits due to customers ','subordinated term debts' or 'interest bearing 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 own equity shares.

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 expenses' in the income statement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.1.7 Reclassification of financial instruments

The company reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In case a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statement.

The company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

3.1.8 De recognition of financial assets and financial liabilities

3.1.8.1 Financial assets

Financial assets (or, where applicable or a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset have expired; or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass- through' arrangement; and either:
  - the company has transferred substantially all the risks and rewards of the assets, or
  - the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the assets nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it. In that case, the company also recognises an associated liability. The transferred assets and the associated liabilities are measured on a basis that reflects the right and obligation that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

3.1.8.2 Financial liabilities

A financial liability is derecognised when the obligation under liability is discharged, cancelled or expired.

3.1.8.3 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the company retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'repurchase agreements', reflecting the transaction's economic substance as a loan to the company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the company. The difference between the purchase and resale prices is recorded in 'net interest income' and is accrued over the life of the agreement using the EIR.

3.1.9 Impairment of financial assets

The company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.1.9.1 Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and advances to customers as well as held to maturity investments), the company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss continues to be recognised are not included in the collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an impairment account and the amount of impairment loss is recognized in the income statement.

Interest income continues to be accrued on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'interest income'.

Loans together with the associated allowances are written-off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the impairment account. If a write-off is later recovered, the recovery is credited to the "other income".

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the company has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system that considers credit risk characteristics such as asset type, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.1.9.2 Impairment of available for sale financial investments

For available for sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income on such assets too is recorded within 'interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the equity through other comprehensive income is removed from equity and recognised in the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The company writes-off certain financial investment available-for-sale when they are determined to be uncollectible.

3.1.9.3 Renegotiated loans

Where possible, the company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

3.1.9.4 Collateral repossessed or where properties have devolved to the company

The company's policy is to determine whether a repossessed or devolved asset is best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the company's policy. The assets held by company for temporary periods pending unexecuted auctions or any suitable recovery methods are not shown as investment properties.

3.1.10 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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 asset and settle the liability simultaneously.

3.1.11 Determination of fair value

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 the 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 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 derecognition of the instrument.

3.2 Inventories

Inventories consist of stationeries purchased for the office use. Inventories are measured at lower of cost or net realizable 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.

3.3 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 one year period.

3.3.1 Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the company and cost of the asset can be reliably measured. The cost of certain items of property, plant and equipment was determined by reference to a previous SLASs revaluation. The company elected to apply the optional exemption to use this previous revaluation as deemed cost at 01st April 2011, the date of transition.

3.3.2 Measurement

Items of 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 recognized net within other income in profit and loss.

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

3.3.3 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 capitalized. The cost of replacing part of an item of property, plant and equipment is recognized 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 are recognized in profit or loss as incurred. When replaced costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised.

3.3.4 Depreciation

Depreciation is recognized 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 for the current and comparative periods are as follows:

SIGNIFICANT ACCOUNTING POLICIES

Freehold buildings	50 years
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.

3.4 Finance and operating leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.4.1 Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets but not necessarily a legal title, are classified as finance leases. When the company is a lessor under a finance lease the amounts due under the lease, after deduction of unearned charges, are included in 'loans and receivables from customers'. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the company is a lessee under finance leases, the leased assets are capitalised and included in 'property, plant and equipment' and the corresponding liability to the lessor is included in 'other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

3.4.2 Operating lease

All other leases are classified as operating leases. When acting as lessor, the company includes the assets subject to operating leases in 'property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired. When the company is the lessee, leased assets are not recognised on the statement of financial position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'general and administrative expenses' and 'other operating income', respectively.

3.5 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 amortization and accumulated impairment losses.

3.5.1 Intangible assets with finite lives and amortization

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortization is commenced when the assets are available for use.

3.5.1.1 Computer software

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

3.5.2 Intangible assets with indefinite lives and amortization

Intangible assets with indefinite useful lives are not amortized 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.

3.5.2.1 Brand value

Brand value is not amortized and are tested for impairment annually.

3.5.3 Derecognition of intangible assets

Intangible assets 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 recognized in the income statement.

3.6 Impairment of non-financial assets

3.6.1 Recognition

The carrying values of the company's 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 recognized whenever the carrying amount of asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized 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.

3.6.2 Calculation of recoverable amount

The recoverable amount is the greater of their net selling and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using 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.

3.6.3 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 amortization, if no impairment loss had been recognized.

3.7 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 effective interest rate is charged to the income statement.

3.8 Debt securities issued and subordinated term debts

These represent the funds borrowed by the company for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the company designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in the income statement.

3.9 Other liabilities

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

3.10 Employee benefits

3.10.1 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 recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.10.1.1 Employees' Provident Fund (EPF)

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

3.10.1.2 Employees' Trust Fund (ETF)

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

3.10.2 Defined benefit plans

3.10.2.1 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; 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 "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 was determined are included in the note 31 to the financial statements.

The company recognizes 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.

3.10.3 Short term employee benefits

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

3.11 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.

3.12 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.

3.13 Events occurring after the reporting date

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

3.14 Income statement

3.14.1 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.

3.14.1.1 Interest income and interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, pre-payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The calculation of the EIR takes into account all contractual terms of the financial instrument (for example, pre-payment options) and includes all material transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in 'Interest Income' for financial assets and in 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.14.1.2 Dividend income

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

3.14.1.3 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.

3.14.1.4 Interest on overdue rentals

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

3.14.1.5 Profit or loss on disposal of property, plant and equipment

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

3.14.1.6 Recovery of bad and doubtful debts written off

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

3.14.2 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 for the year.

Expenditure incurred for the purpose 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.

3.14.2.1 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 its intended use or sale, are capitalized as part of the asset.

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

3.15 Taxes

3.15.1 Income tax expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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. 10 of 2006 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 realization 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

3.15.2 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.

3.15.3 Withholding Tax on dividends

Dividends distributed out of taxable profit of the local companies attract a 10% deduction at source and is not available for set off against the tax liability of the company. Withholding Tax that arises from the distribution of dividends by the company is recognized at the same time as the liability to pay the related dividends is recognized.

3.15.4 Nation Building Tax (NBT) on financial services

NBT on financial services is calculated in accordance with Nation Building Tax (Amendment) Act No. 10 of 2014. NBT on financial services is payable on same base subject to Value Added Tax on financial services.

3.15.5 Crop Insurance Levy (CIL)

As per the provisions of the 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.

3.16 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.

3.17 Cash flow statement

The cash flow statement has been prepared using the "indirect method". Interest paid are 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.

3.18 Regulatory provisions

3.18.1 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.

3.19 Reserves

3.19.1 Statutory reserve fund

The statutory reserve fund is maintained in terms of licensed finance company (Capital Funds) direction No.01 of 2003. Accordingly, the company should transfer funds out of net profits of each year 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.

3.19.2 Available for sale reserve

This has been created in order to account the fair value changes of available for sale financial assets.

3.20 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.

3.21 Standards issued but not yet effective

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 01st January, 2017.

SLFRS 9 - Financial instruments: classification and measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39.

SLFRS 9 was issued in 2012 and this standard will become effective on 1st January 2018.

Company has appointed a consultant to analyse the impact on this. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 15 - Revenue from contracts with customers

The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 01st January, 2018. The impact on the implementation of the above standard has not been quantified yet.

IFRS 16 – Leases

IFRS 16 eliminates the classification of leases as either operating or finance for lessees and instead, introduce a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset at the start of the lease and, because most lease payments are made over time, also, obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying IAS 17.

The new standard IFRS 16, supersedes the requirement in IAS 17 leases and will become effective on 01 January, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	2017 Rs.	2016 Rs.
4. INCOME		
Interest income (Note 5)	3,128,709,442	2,229,745,733
Fee and commission income (Note 7)	129,889,739	84,986,691
Other operating income (Note 8)	51,137,015	48,419,248
	3,309,736,196	2,363,151,672
5. INTEREST INCOME		
Finance lease	2,053,005,287	1,179,007,211
Hire purchase	321,223,114	620,915,522
Factoring	229,367,517	109,033,085
Loans	405,937,825	237,059,137
Gold loans	5,477,868	915,781
Interest income on investments	113,697,831	82,814,997
	3,128,709,442	2,229,745,733
6. INTEREST EXPENSES		
Interest expense on borrowings	578,428,838	170,205,584
Interest expense on customer deposits	1,077,925,665	808,726,007
Interest expense on debentures	108,988,015	103,076,054
Interest expense on preference shares	6,904,966	-
Interest expense on negotiable instruments	4,908,451	742,190
Overdraft interest	59,340,069	13,702,867
	1,836,496,004	1,096,452,702
7. FEE AND COMMISSION INCOME		
Documentation income -Lease and hire purchases	53,270,569	33,602,045
Administration charges -Factoring	47,288,126	28,067,531
Service Charges - Pawning	642,120	-
Insurance commission	28,688,924	23,317,115
	129,889,739	84,986,691
8. OTHER OPERATING INCOME		
Collections from written off contracts	22,490,458	7,100,574
Profit on disposal of property, plant and equipment	15,283,673	36,700,876
Profit on sale of real estate	6,105,716	595,136
Rent income	1,160,941	1,653,200
Dividend income	140,400	-
Sundry income	5,955,827	2,369,462
	51,137,015	48,419,248

For the year ended 31st March		2017 Rs.	2016 Rs.
9. IMPAIRMENT CHARGES /(REVERSALS) FOR LOANS AND RECEIVABLES TO CUSTOMERS			
Specific impairment			
Finance lease		165,821,917	45,590,622
Hire purchase		41,457,268	207,636,590
Loans		109,547,691	13,873,810
Factoring		21,671,153	9,202,437
Pawning		853,968	(288,324)
Collective impairment			
Finance lease		39,830,951	24,289,245
Hire purchase		(66,382,956)	27,708,525
Loan		8,976,218	983,708
		321,776,210	328,996,613
10. PERSONNEL EXPENSES			
Salaries and other related expenses		280,564,002	229,623,617
Defined contribution plan	- EPF	26,822,649	20,529,872
	- ETF	6,705,942	5,132,466
Defined benefit plan	- Gratuity	9,683,361	2,552,085
		323,775,954	257,838,040
11. OTHER OPERATING EXPENSES			
Directors' emoluments		6,140,200	6,120,650
Auditor's remuneration		1,352,500	1,882,380
Professional and legal fees		27,399,724	17,697,195
Charity and donations		600,155	37,325
Administration and establishment expenses		318,401,542	243,493,292
Advertising and business promotional expenses		62,370,792	67,446,961
Other expenses		2,252,115	3,756,232
		418,517,028	340,434,035

For the year ended 31st March		2017 Rs.	2016 Rs.
12.	**INCOME TAX EXPENSE**		
	Current Tax		
	On current year profits (Note 12.1)	-	-
	Under provision in respect of previous years	-	14,492,176
	Deferred Tax		
	Deferred tax reversed to the income statement (Note 21)	43,803,275	(325,503,993)
	Income tax expense for the year	43,803,275	(311,011,817)
12.1	**Reconciliation between accounting profit and taxable income**		
	Profit before income tax expense	301,479,486	295,860,718
	Adjustments on disallowable expenses	4,450,993,128	2,342,328,987
	Adjustments on allowable expenses	(4,628,282,398)	(2,519,946,536)
	Statutory income	124,190,216	118,243,169
	Less: Tax loss claimed (Note 12.2)	(43,466,576)	(41,385,109)
	Assessable income	80,723,640	76,858,060
	Less: Utilization of qualifying payments (Note 12.3)	(80,723,640)	(76,858,060)
	Taxable profit for the year	-	-
	Effective tax rate	0.00%	0.00%
12.2	**Tax losses**		
	Tax losses brought forward	835,251,392	179,679,879
	Tax losses brought forward from former Orient Finance PLC	-	616,353,238
	Tax losses on Leasing Business during the year	875,369,549	80,603,384
	Tax losses claimed during the year	(43,466,576)	(41,385,109)
	Tax losses carried forward	1,667,154,365	835,251,392
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	(76,858,060)	-
	Less : Utilised during the year	(80,723,640)	(76,858,060)
	Balance Qualifying Payment Carried Forward	1,573,324,550	1,654,048,190

12.4 Current tax

The company is liable for tax at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No 10 of 2006 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	2017 Rs.	2016 Rs.
Profit attributable to ordinary shareholders (Rs.)	257,676,211	606,872,535
Weighted average number of ordinary shares	148,018,370	86,700,751
Earnings per share (Rs.)	1.74	7.00

Weighted average number of ordinary shares

	2017 Nos.	2016 Nos.
Shares issued prior to 01 April 2016	7,650,624	7,650,624
Effect on shares issued in lieu of amalgamation	1,068	821
1:10 subdivision of shares	68,863,005	68,863,005
Effect on shares issued at IPO	71,503,673	10,186,301
At the end of the year	148,018,370	86,700,751

13.2 Diluted earnings per share

There were no potential dilutive ordinary shares at any time during the year or previous year. Therefore, diluted earning per share is same as basic earnings per share shown above.

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	2017 Rs.	2016 Rs.
Dividend paid	-	-
Final dividend (Rs.)	-	-
Dividend per share (Rs.)	-	-

15. CASH AND CASH EQUIVALENTS

	2017	2016
Cash in hand	85,700,169	25,988,300
Cash at bank	22,194,181	205,689,398
	107,894,350	231,677,698
Bank overdrafts	(598,251,884)	(433,373,124)
Cash and cash equivalents for the purpose of cash flow statement	(490,357,534)	(201,695,426)

As at 31st March	2017 Rs.	2016 Rs.

16. AVAILABLE FOR SALE FINANCIAL ASSETS

Investments in government securities (Note 16.1)	839,656,469	751,086,590
Investments in shares (Note 16.2)	230,600	5,037,514
	839,887,069	756,124,104

16.1 Investments in government securities

Treasury bills	839,656,469	626,092,090
Treasury bonds	-	124,994,500
Government securities at fair value	839,656,469	751,086,590

16.2 Investments in shares

Finance House Consortium (Pvt) Ltd	200,000	200,000
Ceylon Index Fund	-	4,806,913
Credit Information Bureau of Sri Lanka	30,600	30,600
	230,600	5,037,513

17. LOANS AND RECEIVABLES TO CUSTOMERS

Loans and receivables	22,237,850,219	18,818,074,451
Less: Unearned income	(5,157,654,540)	(4,188,926,604)
Net loans and receivables	17,080,195,679	14,629,147,847
Less: Allowance for specific impairment	(481,628,206)	(589,803,565)
Allowance for collective impairment	(182,464,329)	(200,040,116)
Net loans and receivables	16,416,103,144	13,839,304,166

17.1 Product wise analysis of net loans and receivables

Finance lease receivables (Note 17.1.1)	11,276,603,861	8,370,967,264
Hire purchase receivables (Note 17.1.2)	822,858,087	2,206,588,971
Other loans receivables (Note 17.1.3)	2,811,938,685	2,073,436,770
Factoring receivables (Note 17.1.4)	1,453,645,309	1,181,470,925
Gold loans receivables (Note 17.1.5)	51,057,202	6,840,236
	16,416,103,144	13,839,304,166

17.1.1 Finance lease receivables

Gross lease rentals receivables	16,086,805,610	11,950,889,842
Less: Unearned income	(4,444,573,196)	(3,220,671,062)
Net lease rentals receivable	11,642,232,414	8,730,218,780
Less: Allowance for impairment	(365,628,553)	(359,251,516)
Net finance lease receivables	11,276,603,861	8,370,967,264

LOANS AND RECEIVABLES TO CUSTOMERS (CONTD.)

As at 31st March	2017 Rs.	2016 Rs.
Lease rentals receivables within one year		
Gross lease rentals receivables within one year	5,470,347,329	4,339,158,704
Less: Unearned income	(1,917,876,507)	(1,423,858,164)
Net lease rentals receivables within one year	3,552,470,822	2,915,300,540
Lease rentals receivables within one to five years		
Gross lease rentals receivables within one to five years	10,567,054,536	7,606,797,020
Less: Unearned income	(2,477,292,944)	(1,796,486,034)
Net lease rentals receivables within one to five years	8,089,761,592	5,810,310,986
Lease rentals receivables later than five years		
Gross lease rentals receivables later than five years	-	4,934,118
Less: Unearned income	-	(326,864)
Net lease rentals receivables later than five years	-	4,607,254
Total	11,642,232,414	8,730,218,780

17.1.2 Hire purchase receivables

Gross hire purchase rentals receivables	1,112,374,936	3,147,664,141
Less: Unearned income	(134,347,948)	(554,748,563)
Net hire purchase rentals receivables	978,026,988	2,592,915,578
Less: Allowance for impairment	(155,168,901)	(386,326,607)
Net hire purchase receivables	822,858,087	2,206,588,971
Hire purchase rentals receivables within one year		
Gross hire purchase rentals receivables within one year	805,125,288	1,773,334,874
Less: Unearned income	(96,700,012)	(360,792,080)
Net hire purchase rentals receivables within one year	708,425,276	1,412,542,794
Hire purchase rentals receivables within one to five years		
Gross hire purchase rentals receivables within one to five years	304,538,864	1,352,006,300
Less: Unearned income	(37,409,653)	(188,373,864)
Net hire purchase rentals receivables within one to five years	267,129,211	1,163,632,436
Hire purchase rentals receivables after five years		
Gross hire purchase rentals receivables after five years	2,710,785	22,322,967
Less: Unearned income	(238,284)	(5,582,619)
Net hire purchase rentals receivables after five years	2,472,501	16,740,348
	978,026,988	2,592,915,578

As at 31st March	2017 Rs.	2016 Rs.
17.1.3 Other loans receivables		
Gross other loans rentals receivables	3,490,839,827	2,505,812,182
Less: Unearned income	(578,733,396)	(413,506,979)
Net other loans rentals receivables	2,912,106,431	2,092,305,203
Less: Allowance for impairment	(100,167,746)	(18,868,433)
Net other loans receivables	2,811,938,685	2,073,436,770
Other loans receivables within one year		
Gross other loans rentals receivables within one year	2,125,700,467	1,436,794,625
Less: Unearned income	(315,752,033)	(211,103,875)
Net other loans rentals receivables within one year	1,809,948,434	1,225,690,750
Other loans receivables within one to five years		
Gross other loans rentals receivables within one to five years	1,414,382,993	1,046,069,648
Less: Unearned income	(312,382,190)	(196,465,608)
Net other loans rentals receivables within one to five years	1,102,000,803	849,604,040
Other loans receivables later than five years		
Gross other loans rentals receivables later than five years	160,112	22,947,909
Less: Unearned income	(2,918)	(5,937,496)
Net other loans rentals receivables later than five years	157,194	17,010,413
Total	2,912,106,431	2,092,305,203

LOANS AND RECEIVABLES TO CUSTOMERS (CONTD.)

As at 31st March	2017 Rs.	2016 Rs.
17.1.4 Factoring receivables		
Factoring receivables	1,495,918,676	1,206,868,050
Less: Allowance for impairment	(42,273,367)	(25,397,125)
Net factoring receivables	1,453,645,309	1,181,470,925
17.1.5 Pawning receivables		
Pawning receivables	51,911,170	6,840,236
Less: Provision for specific impairment	(853,968)	-
Net pawning receivables	51,057,202	6,840,236

17.1.6 During the year the board has written off contract receivables worth of Rs.447,527,355/- (2015/16 - Rs.294,685,656/-) which were fully impaired. These were already provided for in the previous year under specific impairment.

17.1.7 Movement in specific and collective impairment charges during the year

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Pawning Rs.	Total Rs.
Balance as at 01st April 2016	359,251,515	386,326,607	18,868,433	25,397,125	-	789,843,680
Charge/(reversal) for the year	205,652,870	(24,925,689)	118,523,909	21,671,152	853,968	321,776,210
Written off during the year	(199,275,832)	(206,232,017)	(37,224,596)	(4,794,910)	-	(447,527,355)
Balance as at 31st March 2017	365,628,553	155,168,901	100,167,746	42,273,367	853,968	664,092,535
Specific impairment	223,620,660	124,672,391	90,207,820	42,273,367	853,968	481,628,206
Collective impairment	142,007,893	30,496,510	9,959,926	-	-	182,464,329
	365,628,553	155,168,901	100,167,746	42,273,367	853,968	664,092,535

As at 31st March	2017 Rs.	2016 Rs.

18. INVESTMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Investments in fixed deposits	368,056,864	430,949,855
Investments in debentures	1,103,200	1,379,358
	369,160,064	432,329,213

19. OTHER ASSETS

Advances paid	13,989,246	15,890,304
Interest receivable	-	1,474,903
Insurance commissions receivable	11,709,069	8,204,717
VAT receivables	8,996,902	27,939,707
ESC and WHT recoverable	67,874,327	62,004,852
Deposits and prepayments	94,477,481	132,127,012
	197,047,025	247,641,495

20. REAL ESTATE STOCK

Naranwala project	2,215,527	2,225,527
Kiriberiya project	5,707,198	16,197,599
Matale project	9,381,085	9,363,085
Maddawaththa project	1,536,851	1,495,131
Chilaw project	3,628,863	17,126,508
	22,469,524	46,407,850

21. DEFERRED TAX ASSET

Balance at the beginning of the year	319,518,080	(50,300,826)
Transferred from former Orient Finance PLC	-	43,793,855
Reversal/(charge) for the year	(43,803,275)	325,503,993
Deferred tax effect on actuarial gain	(92,525)	521,058
Balance at the end of the year	275,622,280	319,518,080

21.1 Deferred tax assets

The amount recognized as deferred tax asset is as follows:

Property, plant and equipment and intangible assets	(36,702,120)	(32,927,720)
Lease assets	(38,382,680)	(152,642,280)
Gratuity	12,571,800	10,878,840
Tax losses carried forward	100,398,760	233,870,280
Qualifying payment on purchase consideration of amalgamation	237,736,520	260,338,960
	275,622,280	319,518,080

NOTES TO THE FINANCIAL STATEMENTS

22. GOODWILL ON ACQUISITION

Goodwill amounting to Rs. 564,545,746 was recognised in the Financial Statements of the Company for the year ended 31st March, 2016 due to the amalgamation of Orient Finance PLC with Bartleet Finance PLC.

Total consideration paid	1,730,906,250
Total identifiable net assets	1,166,360,504
Goodwill	564,545,746

The Management has assessed the potential impairment indicators of Goodwill, as at 31st March 2017. The recoverable amount of the goodwill of the existing company has been determined based on value in use calculation using cash flow projections done by the Management. The projected cash flows were determined based on past performances and Management expectations for market developments.

22.1 Brand value

Out of the total goodwill on the acquisition of former Orient Finance PLC, Rs. 235,880,000 has been attributed as Brand Value of Former Orient Finance PLC based on the independent Professional Valuation carried out by KPMG.

22.2 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 following principal assumptions were used.

- Implied royalty rate - 1.68%
- Cost of equity - 19.67% (risk free rate - 9.67% + equity risk premium - 5% + alpha 5%)
- Terminal growth rate - 2%
- Terminal multiplier 5.77

To determine an appropriate royalty rates for the trade names, Independent professinal valuer has considered royalty rates available in the international markets for banking and finance related brands/trade marks.

23. INTANGIBLE ASSETS

As at 31st March	2017 Rs.	2016 Rs.
Computer software		
Cost		
Balance at the beginning of the year	9,312,960	-
Transferred from former Orient Finance PLC	-	9,312,960
Balance at the end of the year	9,312,960	9,312,960
Accumulated amortization		
Balance at the beginning of the year	8,795,302	-
Transferred from former Orient Finance PLC	-	8,326,552
Amortized during the year	412,148	468,750
Balance at the end of the year	9,207,450	8,795,302
Carrying amount as at 31st March	105,510	517,658

23.1 There were no capitalized borrowing costs related to the internal development of software during the year (2015/2016 - Nil).

24. PROPERTY, PLANT AND EQUIPMENT

Cost	Land Rs.	Buildings Rs.	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Motor vehicles Rs.	Total Rs.
Balance as at 01st April 2016	108,923,000	294,865,468	49,464,577	64,820,555	100,020,050	29,680,792	647,774,442
Additions during the year	-	-	2,759,751	3,769,773	11,432,823	-	17,962,347
Disposals during the year	-	-	(1,477,746)	(4,872,252)	(946,393)	(28,538,917)	(35,835,308)
Balance as at 31st March 2017	108,923,000	294,865,468	50,746,582	63,718,076	110,506,480	1,141,875	629,901,481
Depreciation							
Balance as at 01st April 2016	-	12,528,619	37,985,790	48,525,558	86,765,080	23,233,275	209,038,322
Charge for the year	-	5,897,310	6,251,640	9,389,119	7,326,484	1,663,955	30,528,508
On disposals	-	-	(1,467,730)	(4,811,050)	(946,384)	(23,755,355)	(30,980,519)
Balance as at 31st March 2017	-	18,425,929	42,769,700	53,103,627	93,145,180	1,141,875	208,586,311
Carrying amount as at 31st March 2017	108,923,000	276,439,539	7,976,882	10,614,449	17,361,300	-	421,315,170
Carrying amount as at 31st March 2016	108,923,000	282,336,849	11,478,787	16,294,997	13,254,971	6,447,517	438,736,121

24.1 Based on the assessment of potential impairment carried out internally, for property, plant and equipment by the board of directors as at 31st March 2017, no provision was required to be made in the financial statements.

24.2 Property, plant and equipment included fully depreciated assets having a gross amount of Rs.172,676,437 as at 31st March 2017. (Rs.149,563,836/-as of 31.03.2016)

24.3 There were no capitalized borrowing costs related to the acquisition of property plant and equipment during the year (2015/2016 -nil).

24.4 There were no restrictions on the tittle of the property, plant and equipment as at 31st March 2017.

24.5 There were no items of property, plant and equipment pledged as security as at 31st March 2017 except Matara and Kalutara buildings disclosed in asset pledged note.

24.6 There were no temporary idle items of Property, plant and equipment as at 31 March 2017.

24.7 Details of Freehold Land and Buildings

Location	Address	Land Extent	Valuation of the Land Rs.	Building Area (Sq.Ft)	Valuation of the Building Rs.
Ethul Kotte	School Avenue, Mahindarama Road,Ethul Kotte, Kotte	10.0 Perches	5,000,000	-	-
Matara	38, Station Road, Matara	37.8 Perches	68,040,000	9,400 Sq. Ft	36,700,000
Kalutara	197/4, Galle Road, Kalutara	39.87 Perches	35,883,000	36,141 Sq. Ft	258,165,468
			108,923,000		294,865,468

25. DEPOSITS FROM CUSTOMERS

As at 31st March,	2017 Rs.	2016 Rs.
Fixed deposits (Note 25.1)	9,496,983,402	9,198,591,459
Savings deposits	68,576,560	50,720,934
	9,565,559,962	9,249,312,393

25.1 Public deposits

Public deposits	9,223,333,378	8,883,878,878
Interest accrued	273,650,024	314,712,581
Public deposits at amortized cost	9,496,983,402	9,198,591,459

25.2 Deposits from customers amounting to Rs.1,962,675,244/- (2015/2016 - Rs.1,698,393,626/) are expected to be matured after 12 months period from the reporting date, 31 March 2017.

26. INTEREST BEARING BORROWINGS

As at 31st March,	2017 Rs.	2016 Rs.
Institutional borrowings (Note 26.1)	4,802,268,132	3,250,798,278
Promissory notes	12,882,323	11,939,272
	4,815,150,455	3,262,737,550

26.1 Movement in institutional borrowings

Balance at the beginning of the year	3,222,159,355	31,760,395
Transferred from former Orient Finance PLC	-	1,791,609,243
Obtained during the year	10,143,888,000	5,839,204,525
Payments made during the year	(8,619,381,488)	(4,440,414,808)
Balance before adjusting for amortized interest	4,746,665,867	3,222,159,355
Net effect on amortized interest payable	55,602,265	28,638,923
Balance at the end of the year	4,802,268,132	3,250,798,278

26.2 Interest bearing borrowings - Current and non-current

Payable within one year	3,270,214,981	2,304,401,797
Payable after one year (1 -5 years)	1,544,935,474	958,335,753
	4,815,150,455	3,262,737,550

26.3 Institutional borrowings

Bank	Facility amount Rs.	Capital outstanding as at 31.03.2017 Rs.	Finance cost payable as at 31.03. 2017 Rs.	Total payable at amortised cost as at 31.03.2017 Rs.	Tenure of loan (months)	Security offered
Long term loans						
Union Bank PLC	250,000,000	187,499,986	66,940	187,566,926	48	Lease / HP Portfolio
Union Bank PLC	250,000,000	171,874,990	62,252	171,937,242	48	Lease / HP Portfolio
Sampath Bank PLC	250,000,000	164,730,000	312,761	165,042,761	60	Lease / HP Portfolio
Seylan Bank PLC	150,000,000	65,625,000	493,248	66,118,248	48	Lease / HP Portfolio
Seylan Bank PLC	300,000,000	275,000,000	2,341,622	277,341,622	48	Lease / HP Portfolio
Pan Asia Banking Corporation	200,000,000	89,983,054	195,857	90,178,911	48	Lease / HP Portfolio
BOC	700,000,000	491,999,742	-	491,999,742	36	Lease / HP Portfolio
BOC	750,000,000	686,499,998	521,364	687,021,362	36	Lease / HP Portfolio
Short term loans - revolving						
National Development Bank PLC	775,000,000	775,000,000	2,921,200	777,921,200	Revolving	Lease / HP Portfolio
National Development Bank PLC	200,000,000	200,000,000	2,480,000	202,480,000	Revolving	Unsecured
Nations Trust Bank PLC	130,000,000	130,000,000	183,767	130,183,767	Revolving	Lease / HP Portfolio
Sampath Bank PLC – Money market	100,000,000	100,000,000	197,260	100,197,260	Revolving	Lease / HP Portfolio
Sampath Bank PLC	500,000,000	500,000,000	986,301	500,986,301	Revolving	Unsecured
Union Bank	200,000,000	200,000,000	1,015,068	201,015,068	Revolving	Lease / HP Portfolio
Cargills Bank PLC	300,000,000	300,000,000	119,178	300,119,178	Revolving	Lease / HP Portfolio
Securitization						
Trust 16 – T1	179,109,115	58,909,370	3,646,951	62,556,321	24	Lease / HP Portfolio
Trust 16 – T2	120,890,885	99,543,727	8,713,198	108,256,925	12	Lease / HP Portfolio
Trust 17	318,100,000	250,000,000	31,345,298	281,345,298	48	Lease / HP Portfolio
		4,746,665,867	55,602,265	4,802,268,132		

27. TERM DEBTS

As at 31st March,	2017 Rs.	2016 Rs.
Balance at the beginning of the year	1,204,000,000	204,000,000
Transferred from former Orient Finance PLC	-	1,000,000,000
Redeemed during the year	(204,000,000)	-
Balance at the end of the year	1,000,000,000	1,204,000,000
Initial cost on debentures	(38,346,915)	(50,437,319)
Net effect on amortized interest payable	24,063,384	23,350,184
	985,716,469	1,176,912,865

TERM DEBTS (CONTD.)

27.1 Interest payment frequency

	Allotment date	Maturity date	Effective annual yield Rs.	Value of the debentures as at 31.03.2017 Rs.	Value of the debentures as at 31.03.2016 Rs.
Monthly	15-Jun-11	15-Jun-16	13%	-	204,000,000
Semi annually	26-Dec-14	26-Dec-19	9.25%	1,000,000,000	1,000,000,000
Balance at the end of the year				1,000,000,000	1,204,000,000

28. REDEEMABLE PREFERENCE SHARES

As at 31st March,	2017 Rs.	2016 Rs.
Balance at the beginning of the year	-	-
Issued during the year	400,049,600	-
Balance at the end of the year	400,049,600	-
Net effect on amortized interest payable	6,904,966	-
	406,954,566	-

On 16th February 2017, the company has issued 4,000,496 new five year, unlisted, redeemable, non convertible, cumulative, non-voting, unsecured, subordinated Preference Shares, to the existing holders of issued Ordinary Shares of the Company in the proportion of one new Preference Share for every existing thirty seven Ordinary Shares held at a price of Rs.100 per share with a 14% annual dividend per share.

29. CURRENT TAX PAYABLE

As at 31st March,	2017 Rs.	2016 Rs.
Balance at the beginning of the year	2,136,340	(54,021)
Transferred from former Orient Finance PLC	-	4,688,905
Adjustments in respect of previous years' under provision (Note 12)	-	14,492,176
Set off - ESC and WHT	-	(14,492,176)
Payments made during the year	-	(2,498,544)
Balance at the end of the year	2,136,340	2,136,340

30. OTHER LIABILITIES

Vendor payable	423,089,194	474,271,932
Insurance payable	15,508,998	18,169,411
Accrued expenses and other payable	80,680,388	198,389,528
Real estate advances	11,507,156	13,653,874
	530,785,736	704,484,745

As at 31st March,	2017 Rs.	2016 Rs.

31. RETIREMENT BENEFIT OBLIGATIONS

Balance at the beginning of the year	38,853,036	44,882,599
Transferred from former Orient Finance PLC	-	12,950,858
Amount recognized in the total comprehensive income	9,352,913	4,413,005
Payments during the year	(3,306,663)	(23,393,426)
Balance at the end of the year	44,899,285	38,853,036

The amount recognised in the total comprehensive income is as follows:

31.1 **Interest cost**	3,885,305	4,135,322
Current service cost	5,798,056	(1,583,237)
Actuarial (gain) /loss recognised	(330,448)	1,860,920
	9,352,913	4,413,005

31.2 An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2017 by Actuarial and Management Consultants (Pvt) Ltd. The company has estimated its gratuity liability as at 31st March 2017 based on the forecast given by the actuarier using the census and assumptions as at 31st March 2017. If the company had provided for gratuity liability in accordance with the payment of Gratuities Act No.12 of 1983, the liability would have been Rs.43,343,847-.

The principal assumptions used were as follows:

	2017	2016
Discount rate	12%	10%
Future salary increases	10%	10%
Staff turnover factor	23%	25%
Retirement age	55 years	55 years

31.3 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrate 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 comprehensive 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.

RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

Increase/decrease in discount rate	Increase/decrease in salary increment	2017 Sensitivity effect on comprehensive income statement increase/ (reduction) in results for the year Rs.	2016 Sensitivity effect on comprehensive income statement increase/(reduction) in results for the year Rs.
1%	0	1,483,582	1,187,825
-1%	0	(1,271,729)	(1,273,715)
0	1%	(1,489,530)	(1,412,411)
0	-1%	1,712,531	1,338,458

As at 31st March,	2017 Rs.	2016 Rs.
32. STATED CAPITAL		
Ordinary Shares (Note 32.1)	1,378,689,779	1,378,689,779
Redeemable Preference Shares	400,049,600	-
Stated Capital	1,778,739,379	1,378,689,779
Less : Redeemable Preference Shares- classified as borrowings (Refer Note 28)	(400,049,600)	
Total Equity	1,378,689,779	1,378,689,779
No.of shares (Note 32.2)	148,018,370	148,018,370
32.1 Movement in Ordinary Shares		
At the beginning of the year	1,378,689,779	306,024,990
Issued during the year	-	1,072,664,789
At the end of the year	1,378,689,779	1,378,689,779

As at 31st March,	2017 Nos.	2016 Nos.
32.2 Movement in number of shares		
At the beginning of the year	148,018,370	7,650,624
Shares issued at the amalgamation in lieu of former Orient Finance PLC shares	-	1,213
	148,018,370	7,651,837
1:10 sub division of shares	-	76,518,370
Shares issued at the Initial Public Offer	-	71,500,000
At the end of the year	148,018,370	148,018,370

32.3 By way of an Initial Public Offer, the company issued 71,500,000 shares at the price of Rs.15/- and listed on the Diri Savi Board of the Colombo Stock Exchange on 08th February 2016. Shares issued for the purpose of raising capital to settle the loan facility obtained from Orient Capital Ltd to make settlements to shareholders of Former Orient Finance PLC and to meet the regulatory capital requirements of the amalgamated entity.

Purpose as per Prospectus	Amount allocated as per prospectus Rs.	Proposed date of utilization as per prospectus	Amount allocated from proceeds in Rs.	% of Total proceeds	Amount utilized in Rs.	% of utilization against allocation
Raise capital to settle the loan facility obtained from Orient Capital Ltd to make the settlements to shareholders of Former Orient Finance PLC.	1,072 Mn	31-Jan-16	1,072 Mn	100%	1,072 Mn	100%

32.4 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 of the company.

32.5 All Ordinary Shares rank equally with regard to the company's residual assets.

33. STATUTORY RESERVE FUND

As at 31st March,	2017 Rs.	2016 Rs.
At the beginning of the year	292,391,119	171,016,612
Transfer during the year	12,883,811	121,374,507
At the end of the year	305,274,930	292,391,119

33.1 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 Central Bank of Sri Lanka.

34. AVAILABLE FOR SALE RESERVE

As at 31st March,	2017 Rs.	2016 Rs.
Balance at the beginning of the year	(377,544)	(3,374,004)
Transfers to retained earnings	-	3,374,004
During the year fair value loss on AFS financial assets	(1,168,048)	(377,544)
Balance at the end of the year	(1,545,592)	(377,544)

35. FINANCIAL REPORTING BY SEGMENTS

Business Segments

The company has two reportable segments, as described below, which are the company's strategic divisions. The strategic divisions offer different products and services, and 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.

Hire purchase,finance leasing and loans - Provision of hire purchase and leasing facilities to customers

Factoring - Debt factoring

	Finance leases, Hire purchases and loans		Factoring		Unallocated		Total	
For the year ended 31st March	2017	2016	2017	2016	2017	2016	.2017	2016
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Interest income	2,780,166,226	2,036,981,870	229,367,517	109,033,085	119,175,699	83,730,778	3,128,709,442	2,229,745,733
Fee and commission income	81,959,493	56,919,160	47,288,126	28,067,531	642,120	-	129,889,739	84,986,691
Other income	22,490,458	7,100,574	-	-	28,646,557	41,318,674	51,137,015	48,419,248
Total segmental income	2,884,616,177	2,101,001,604	276,655,643	137,100,616	148,464,376	125,049,452	3,309,736,196	2,363,151,672
Less: Interest expense	(1,668,162,501)	(1,002,305,846)	(162,621,651)	(93,604,922)	(5,711,852)	(541,934)	(1,836,496,004)	(1,096,452,702)
Segmental results	1,216,453,676	1,098,695,758	114,033,992	43,495,694	142,752,524	124,507,518	1,473,240,192	1,266,698,970
Depreciation and amortization	(28,104,631)	(31,266,920)	(2,739,794)	(299,674)	(96,231)	(10,360,868)	(30,940,656)	(41,927,462)
Impairment charge/(reversal)	(299,250,210)	(311,112,713)	(20,829,000)	(17,694,767)	(1,697,000)	(189,133)	(321,776,210)	(328,996,613)
Other Expenses	(454,826,628)	(350,220,716)	(42,686,460)	(2,186,776)	(321,530,752)	(247,506,685)	(819,043,840)	(599,914,177)
Income tax	-	-	-	-	(43,803,275)	311,011,817	(43,803,275)	311,011,817
Profit after tax	434,272,207	406,095,409	47,778,738	23,314,477	(224,374,734)	177,462,649	257,676,211	606,872,535
Segmental assets	14,911,400,633	12,650,993,005	1,453,645,309	1,181,470,925	3,084,983,940	3,280,218,200	19,450,029,882	17,112,682,131
Segmental liabilities	423,089,194	474,271,932	-	-	16,527,213,629	14,395,429,225	16,950,302,823	14,869,701,158

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

As At 31 March 2017,	Less than 3 months Rs	3-12 months Rs	1-3 Years Rs	3-5 years Rs	Over 5 years Rs	Total 2017 Rs	Total 2016 Rs
ASSETS							
Cash and cash equivalents	107,894,350	-	-	-	-	107,894,350	231,677,698
Available for sale financial assets	51,208,092	788,448,377	-	-	230,600	839,887,069	756,124,103
Loans and receivables to customers	3,643,079,755	3,311,502,089	7,210,506,772	2,248,384,833	2,629,695	16,416,103,144	13,839,304,166
Investments with banks and other financial institutions	333,056,864	36,103,200	-	-	-	369,160,064	432,329,213
Other assets	25,698,315	171,348,710	-	-	-	197,047,025	247,641,495
Real estate stock	-	22,469,524	-	-	-	22,469,524	46,407,850
Deferred tax asset	-	-	-	275,622,280	-	275,622,280	319,518,080
Brand value	-	-	-	-	235,880,000	235,880,000	235,880,000
Goodwill	-	-	-	-	564,545,746	564,545,746	564,545,746
Intangible assets	-	-	-	-	105,510	105,510	517,658
Property, plant and equipment	-	-	-	-	421,315,170	421,315,170	438,736,121
Total assets	4,160,937,375	4,329,871,900	7,210,506,772	2,524,007,113	1,224,706,721	19,450,029,882	17,112,682,130
LIABILITIES							
Bank overdrafts	598,251,884	-	-	-	-	598,251,884	433,373,124
Deposits from customers	3,075,333,280	4,527,551,437	1,516,921,338	445,753,907	-	9,565,559,962	9,249,312,393
Interest bearing borrowings	1,939,649,202	1,330,565,779	1,480,685,474	64,250,000	-	4,815,150,455	3,262,737,550
Term debts	24,063,384	-	-	961,653,085	-	985,716,469	1,176,912,865
Redeemable Preference Shares	-	-	-	406,954,566	-	406,954,566	-
Current tax payable	-	2,136,340	-	-	-	2,136,340	2,136,340
Other liabilities	519,278,580	11,507,156	-	-	-	530,785,736	704,484,745
Non interest bearing security deposits	848,126	-	-	-	-	848,126	1,891,105
Retirement benefit obligations	-	-	-	-	44,899,285	44,899,285	38,853,036
	6,157,424,456	5,871,760,712	2,997,606,812	1,878,611,558	44,899,285	16,950,302,823	14,869,701,158
Maturity Gap	(1,996,487,081)	(1,541,888,812)	4,212,899,960	645,395,555	1,179,807,436		

37. RELATED PARTY TRANSACTIONS

The company carries out transactions in the ordinary course of the business with parties who are defined as related parties in Sri Lanka Accounting Standard, LKAS 24 " Related Party Disclosures", the details of which are reported below.

37.1 Parent and ultimate controlling party

The parent and ultimate controlling party of the company is Janashakthi PLC.

37.2 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. 6,140,200 (2015/2016 -Rs. 6,120,650/-) to the directors as emoluments, of which all comprised of short term employment benefits and no post-employment benefits has been paid during the year (2015/2016 – 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 held 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 2017 is Rs.201,900,000/-(2015/2016 136,050,000)

37.3 Other related party transactions

The following transactions have been carried out with related parties during the year ended 31st March, 2017.

Company	Relationship	Nature of Transactions	Rs.
Janashakthi General Insurance Limited	Affiliate	Insurance commission received	31,688,395
		Insurance premium paid	(17,952,464)
		Rent paid and Security Deposit	(5,724,757)
Janashakthi Insurance PLC	Affiliate	Rent and utility paid for window offices	(757,532)
		Life insurance to staff	(788,486)
		Rent income received	1,433,374
Orient Capital Limited	Affiliate	Reimbursement of collections on assigned debtors	(10,345,380)

37.3.2 Non-Recurrent Related Party Transactions

There were no non recurrent transactions carried out with Related Parties (2015/2016 - NIL) as required to be disclosed by Rule 9.3.2 (a)of the CSE listing Rules except 99.2% of the preference shares issued to the existing shareholders purchased by Janashakthi PLC amounting to Rs. 399,724,000.00.

38. CAPITAL COMMITMENTS

The company has no material capital commitments outstanding as at the reporting date.

39. CONTINGENT LIABILITIES

The company does not anticipate any contingent liabilities to arise out of any contingent events as at reporting date except as disclosed below:

The Inland Revenue Department has issued an assessments on Value Added Tax on financial services amounting to Rs. 65,299,441/- and the Board of Directors is confident that there will not be any additional tax liability on that.

40. 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.26 to the financial statements.

Funding Institution	Nature of assets	Nature of liability	Balance Outstanding as at 31 March 2017 (Rs.)	Value of assets pledged (Rs.)	Included under
Sampath Bank PLC	Leases and hire purchases receivable	Long term borrowings	165,042,761	219,090,900	Future rental receivables
Sampath Bank PLC	Leases and hire purchases receivable	Short term Loans - Revolving	100,197,260	133,000,000	Future rental receivables
Seylan Bank PLC	Leases and hire purchases receivable	Long term borrowings	343,459,870	412,500,000	Future rental receivables
NDB Bank PLC	Leases and hire purchases receivable	Short term loans - Revolving	777,921,200	930,000,000	Future rental receivables
Union Bank PLC	Leases and hire purchases receivable	Long term borrowings	359,504,168	431,249,971	Future rental receivables
Union Bank PLC	Leases and hire purchases receivable	Short term loans - Revolving	201,015,068	240,000,000	Future rental receivables
Bank of Ceylon PLC	Leases and hire purchases receivable	Long term borrowings	1,179,021,104	1,567,404,991	Future rental receivables
Nations Trust Bank PLC	Leases and hire purchases receivable	Short term loans - Revolving	130,183,767	195,000,000	Future rental receivables
Pan Asia Bank PLC	Leases and hire purchases receivable	Short term loans	90,178,911	112,478,817	Future rental receivables
Cargills Bank	Leases and hire purchases receivable	Short term loan - Revolving	300,119,178	360,000,000	Future rental receivables
Deutsche Bank	Leases and hire purchases receivable	Securitizations	170,813,246	433,916,304	Future rental receivables
Bank of Ceylon	Leases and hire purchases receivable	Securitizations	281,345,298	234,223,507	Future rental receivables
Commercial Bank of Ceylon PLC	Leases and hire purchases receivable	Bank overdraft	329,559,094	330,000,000	Future rental receivables
Hatton National Bank PLC	Leases and hire purchases receivable	Bank overdraft	20,587,882	32,500,000	Future rental receivables
Sampath Bank PLC	Leases and hire purchases receivable	Bank overdraft	73,671,336	99,750,000	Future rental receivables
Peoples Bank	Leases and hire purchases receivable	Bank overdraft	70,754,563	93,750,000	Future rental receivables
NDB Bank PLC	Leases and hire purchases receivable	Bank overdraft	22,416,922	30,000,000	Future rental receivables
Union Bank PLC	Leases and hire purchases receivable	Bank overdraft	22,568,553	30,000,000	Future rental receivables
Bank of Ceylon	Leases and hire purchases receivable	Bank overdraft	40,519,296	66,500,000	Future rental receivables
Nations Trust Bank PLC	Leases and hire purchases receivable	Bank overdraft	18,174,238	30,000,000	Future rental receivables
Seylan Bank PLC	Land & Building	Bank overdraft	-	190,000,000	Property Plant & Equipment

ASSETS PLEDGED AS SECURITIES (CONTD.)

40.1 The Company has pledged Rs.1,309,045,845 worth of debtors as securities to Janashakthi General Insurance Ltd for the Guarantee obtained for the Debentures issued amounting to Rs. 1,000,000,000.

40.2 In the ordinary course of the business, the company enters into transactions that result 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.

40.3 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.

41. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the date of the statement of financial position, no circumstances have been arisen which would require adjustments to or disclosures in the financial statements.

42. COMPARATIVE INFORMATION

Comparative information of the company has been reclassified wherever necessary to conform with the current year's presentation/ classification.

Following information was reclassified for the current year's presentation;

a. Personnel expenses

Re-imbursement of staff vehicle hire charges which was classified under personnel expenses in the previous year has been re-classified under other operating expenses.

	Amount Rs.
Personnel expenses as per previous year financial statements	334,420,478
Less: Re-imbursement of staff vehicle hire charges	(76,582,438)
	257,838,040

43. DIRECTORS' RESPONSIBILITY

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

44. NUMBER OF EMPLOYEES OF THE COMPANY AS AT THE YEAR END

Number of employees of the company as at 31st March 2017 is 447 (2016-421).

45. 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.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy.

Purpose as per Prospectus	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets - Available for Sale				
Government Securities	839,656,469	-	-	839,656,469
Investments in shares	-	230,600	-	230,600
	839,656,469	230,600	-	839,887,069

46. 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,	2017		2016	
	Carrying Value (Rs)	Fair Value (Rs.)	Carrying Value (Rs.)	Fair Value (Rs.)
ASSETS				
Cash and cash equivalents	107,894,350	107,894,350	231,677,698	231,677,698
Loans and receivables to customers	16,416,103,144	16,416,103,144	13,839,304,166	13,839,304,166
Investments with banks and other financial institutions	369,160,064	369,160,064	432,329,213	432,329,213
	16,893,157,558	16,893,157,558	14,503,311,077	14,503,311,077
LIABILITIES				
Bank overdrafts	598,251,884	598,251,884	433,373,124	433,373,124
Deposits from customers	9,565,559,962	9,565,559,962	9,249,312,393	9,249,312,393
Interest bearing borrowings	4,815,150,455	4,815,150,455	3,262,737,550	3,262,737,550
	14,978,962,301	14,978,962,301	12,945,423,067	12,945,423,067

Given below are 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 defer from its carrying value amounted to Rs.16,416,103,144.

Bank overdrafts

The carrying amounts of bank overdrafts, approximate their fair value as those are short term in nature.

Deposits from customers

More than 79% 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 upliftment. Amounts paid to customers in the event of pre-mature upliftment would not be materially different to its carrying value as at date. Therefore, fair value of customer deposits approximates to their carrying value as at the reporting date.

Interest bearing borrowings

Interest bearing borrowings include both fixed rate and floating rate borrowings. Floating rate borrowings represent nearly 89.5% of the portfolio. Accordingly carrying value of the floating rate borrowings approximate to their fair values as at the reporting date. Rest of the borrowings have a remaining contractual maturity of less than one year. Therefore, fair value of interest bearing borrowings approximate to the carrying value as at the reporting date.

47. FINANCIAL RISK MANAGEMENT

Risk is the most important factor considered in strategic decision making process at Orient Finance PLC. Therefore, all possible risks are properly evaluated before taking any strategic or operational decision and decide the best options which minimize the risk. 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

47.1 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 authorization structure for the approval and renewal of credit facilities. Authorization 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 specialist skills to business units to promote best practice throughout the company in the management of credit risk.

Regular audits of business units and the company's credit processes are evaluated by internal audit.

FINANCIAL RISK MANAGEMENT (CONTD.)

As at 31st March	2017 Rs.	2016 Rs.
Loans and advance to customers		
Carrying amount at amortized cost		
Individual significant impaired loans and advances (Note 47.1.1)	467,018,049	616,228,140
Carrying amount of unimpaired loans and advances (Note 47.1.2)	15,949,085,095	13,223,076,026
	16,416,103,144	13,839,304,166

47.1.1 Individually significant loans and advances

Gross receivable	948,646,255	1,206,031,705
Allowance for impairment	(481,628,206)	(589,803,565)
Individually significant impaired loans and advances	467,018,049	616,228,140

47.1.2 Individually significant unimpaired and individually not significant (collective impairment)

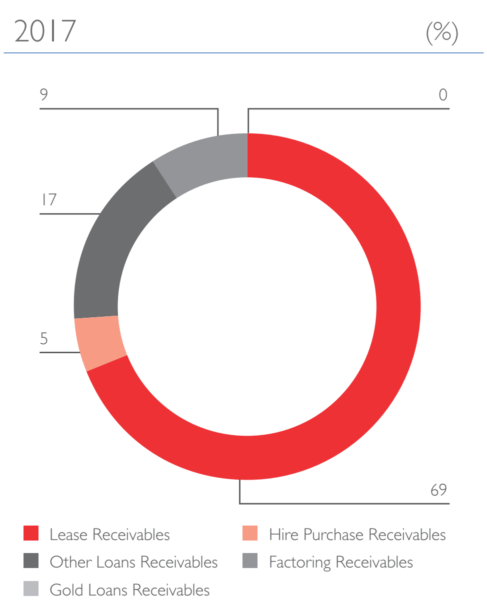
Gross receivable	16,131,549,424	13,423,116,142
Allowance for impairment	(182,464,329)	(200,040,116)
Carrying amount of unimpaired loans advances	15,949,085,095	13,223,076,026

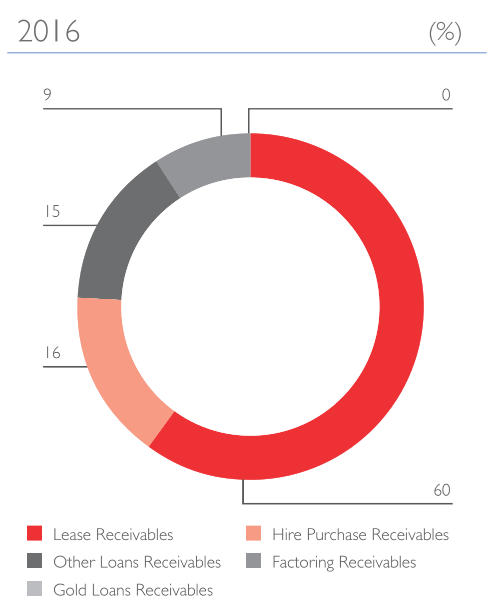
The company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the company's credit division determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such 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 standardized loans, write-off decisions generally are based on a product-specific past due status.

Concentrations 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:





47.2 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. 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.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both 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 banks borrowing 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 unutilized 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 next 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:

	31.03.2017 Rs.
Time deposits	9,496,983,402
Saving deposits	68,576,560
Unsecured borrowings	1,737,099,000
Total liquid assets	1,264,736,623
Cash in hand	85,700,169
Balances in current accounts (favourable)	5,504,000
Deposits in commercial banks	333,875,985
Approved securities	839,656,469
Average month end deposit liabilities	9,085,545,000
Average month end outstanding borrowings	1,896,822,000
	10,982,367,000
Required minimum amount of liquid assets	1,133,694,724
10% of fixed deposits	949,698,340
15% of savings deposits	10,286,484
10% of unsecured borrowings	173,709,900
Required minimum amount of approved securities 7.5%	823,677,525

FINANCIAL RISK MANAGEMENT (CONTD.)

Maturity analysis for financial liabilities

Contractual maturity of the assets and the liabilities of the company is disclosed in the note 36 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.

47.3 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 standardized approach is used under Basel II) and the element of the fair value reserve relating to unrealized 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 5% of the total risk weighted assets and Tier 2 is 10% of the total risk weighted assets.

47.4 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 for the Company.

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

TEN YEAR ACHIEVEMENTS

For the year ended 31st March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
						(Restated)		(Restated)		(Restated)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results										
Income	3,309,736	2,363,152	1,362,664	1,605,010	1,552,160	1,178,760	1,150,826	909,391	899,197	723,872
Interest Income	3,128,709	2,229,746	1,283,087	1,465,703	1,336,170	1,054,055	780,287	777,519	833,921	677,132
Interest Expenses	(1,836,496)	(1,096,453)	(805,279)	(1,039,248)	(964,202)	(614,026)	(487,491)	(529,864)	(566,458)	(369,266)
Net Interest Income	1,292,213	1,133,293	477,807	426,455	371,969	440,029	292,796	247,655	267,462	307,865
Operating Expenses & Provisions	(1,171,760)	(970,838)	(553,203)	(495,380)	(566,782)	(474,212)	(436,369)	(299,938)	(294,130)	(292,761)
Profit Before Income Tax	301,479	295,861	4,182	70,381	21,177	90,522	226,966	79,589	38,609	61,845
Income Tax on Profit	(43,803)	311,012	-	(13,014)	(13,625)	(16,416)	(4,902)	(21,774)	(6,810)	(12,747)
Profit for the year	257,676	606,873	4,182	57,367	7,552	74,105	222,063	57,814	31,799	49,098
Financial Position										
Assets										
Loans & Advances to Customers	16,416,103	13,839,304	4,987,749	5,615,826	5,323,316	4,981,731	3,005,992	2,339,380	2,325,422	2,157,041
Financial Investments - Held to Maturity	-	-	-	1,165,133	1,061,579	729,076	588,493	557,591	132,635	358,003
Financial Investments - Available for Sale	839,887	756,124	592,105	11,120	186,024	355,016	339,300	181,369	34,940	42,850
Cash and Cash Equivalents	107,894	231,678	194,035	200,985	161,989	118,154	123,477	104,012	10,703	24,872
Property, Plant & Equipment	421,315	438,736	446,864	533,064	292,713	203,261	186,512	157,231	155,236	156,367
Other Assets	1,664,830	1,846,840	585,231	334,015	677,506	601,801	639,540	484,734	377,215	182,587
Total Assets	19,450,029	17,112,682	6,805,984	7,860,144	7,703,127	6,989,039	4,883,315	3,824,317	3,036,151	2,921,720
Liabilities										
Deposits from Customers	9,565,559	9,249,312	5,746,847	6,463,960	5,747,762	5,075,410	3,630,633	2,997,786	2,156,384	2,067,445
Borrowings	4,815,150	3,262,738	31,760	378,751	923,320	1,032,409	457,294	187,031	214,899	55,541
Debentures and Preference Shares	1,392,671	1,176,913	204,000	204,000	204,000	204,000	-	-	-	-
Other Liabilities	1,176,922	1,180,738	253,377	252,020	323,997	237,508	201,012	234,492	320,270	485,935
Total Liabilities	16,950,302	14,869,701	6,235,984	7,298,731	7,199,080	6,549,327	4,288,940	3,419,309	2,691,553	2,608,921
Capital Employed										
Stated Capital	1,378,690	1,378,690	306,025	306,025	306,025	61,205	61,205	61,205	61,205	61,205
Retained Profit & Reserve Fund	1,121,037	864,291	263,974	255,388	198,021	378,507	533,170	343,803	283,392	251,594
Total Capital Employed	2,499,727	2,242,981	569,999	561,413	504,046	439,712	594,375	405,008	344,597	312,799
Ratios and Related Information										
Operating Ratios										
Return on Equity - ROE	10.87%	43.15%	0.74%	10.77%	1.60%	14.33%	44.44%	15.43%	9.67%	16.02%
Return on Assets - ROA - Before Tax	1.65%	2.47%	0.06%	0.90%	0.29%	1.52%	5.21%	2.32%	1.30%	2.42%
Gross Profit Margin	39.04%	47.96%	35.06%	26.57%	23.96%	37.33%	25.44%	27.23%	29.74%	42.53%
Net Profit Margin	7.79%	25.68%	0.31%	3.57%	0.49%	6.29%	19.30%	6.36%	3.54%	6.78%
Income Growth	40.06%	73.42%	-15.10%	3.40%	31.68%	2.43%	26.55%	1.13%	24.22%	34.08%
Profit Growth	-57.54%	14412.19%	-92.71%	659.63%	-89.81%	-66.63%	284.10%	81.81%	-35.23%	-24.05%
Assets Growth	13.66%	151.44%	-13.41%	2.04%	10.22%	43.12%	27.69%	25.96%	3.92%	33.86%
Net Assets Growth	11.45%	293.51%	1.53%	11.38%	14.63%	-26.02%	46.76%	17.53%	10.17%	4.16%
Gearing Ratios										
Debt to Equity - Times	6.31	6.10	10.50	12.55	13.64	14.35	6.88	7.86	6.88	6.79
Interest Cover - Times	1.16	1.27	1.01	1.07	1.02	1.15	1.47	1.15	1.07	1.17
Investor Ratios										
Basic earnings per share - EPS - (Rs.)	1.74	7.00	0.05	7.50	0.99	9.69	36.28	9.45	5.20	8.02
Net assets value per share - NAPS - (Rs.)	16.89	15.15	7.45	73.38	65.88	57.47	77.69	66.17	56.30	51.11
Dividend per share - DPS - (Rs.)	-	-	-	-	0.76	6.00	1.00	1.00	2.00	3.00
Dividend Cover - Times	N/A	N/A	N/A	N/A	1.30	1.61	36.28	9.45	2.60	2.67
Dividend Payout ratio	0.00%	0.00%	0.00%	0.00%	76.99%	61.94%	2.76%	10.59%	38.50%	37.40%

STATEMENT OF VALUE ADDED

As at 31st March,	2017 Rs. Mn	2016 Rs. Mn
Gross Value added	3,310	2,363
Cost of services	(495)	(342)
Provision for Impairment Losses	(322)	(329)
	2,493	1,692
Value Allocated		
Payments to lenders	1,836	1,096
Payments to Employees	324	258
Dividends to shareholders	-	-
Government Taxes	44	(311)
Depreciation	31	42
Retained Profit	258	607
	2,493	1,692

SOURCES & UTILIZATION OF INCOME

As at 31st March,	2017 Rs. Mn	2016 Rs. Mn
Sources of Income		
Interest Income	3,129	2,230
Fee & Commission income	130	85
Other Income	51	48
	3,310	2,363
Utilization of Income		
Payments to lenders	1836	1096
Payments to employees	323	258
Cost of services	496	342
Depreciation	31	42
Provision for Impairment Losses	322	329
Government Taxes- Including Deferred Tax	44	(311)
Dividends	0	0
Retained Profit	258	607
	3310	2363

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 574 registered Voting Shareholders as at 31st March 2017 (2015/2016 - 292) distributed as follows.

Range	As at 31 March 2017			As at 31 March 2016		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1 - 1000	336	80,898	0.05	223	53,699	0.04
1,001 - 5,000	103	276,092	0.19	22	58,700	0.04
5,001 - 10,000	50	385,147	0.26	13	95,708	0.06
10,001 - 50,000	57	1,356,855	0.92	15	369,447	0.25
50,001 - 100,000	12	845,560	0.57	10	713,596	0.48
100,001 - 500,000	10	2,302,321	1.56	4	1,130,000	0.76
500,001 - 1,000,000	2	1,210,503	0.82	1	666,700	0.45
Over 1,000,000	4	141,560,994	95.64	4	144,930,520	97.92
Total	574	148,018,370	100	292	148,018,370	100

ANALYSIS OF SHARE HOLDERS

As at 31 March	2017		2016	
	No of Shares	% of Shares	No of Shares	% of Shares
Residents	148,018,270	100	148,018,270	100
Non - Residents	100	-	100	-

Public Holding of issued number of shares as at 31 March 2017 is 10.18%

SHARE INFORMATION

3. SHARE PRICE INFORMATION

	2017 Rs.	2016 Rs.
Highest	21.00	22.90
Lowest	9.00	12.50
Close	9.20	13.00

4. INVESTOR RATIOS

As at 31 March	2017 Rs.	2016 Rs.
Book Value	16.89	15.15
Earning Per Share	1.74	7.00
Price Earnings Ratio	5.29	1.86

5. DIRECTORS INTEREST IN SHARES

The number of shares held by the Directors as at 31 March	2017 Nos.	2016 Nos.
Dr. D.C.Jayasuriya	-	-
Mr. Prakash Schaffter	10	10
Mr. Ananda W. Atukorala	-	-
Mr. Anil Tittawella	-	-
Mrs. Lakshmi K Gunatilake	-	-
Ms. Minette D.A. Perera	-	-
Ms. Indrani Goonasekera	-	-
Mr. Ramesh Schaffter (Alternate Director to Mr. P. Schaffter)	10	10

6. CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

The number of shares held by the CEO as at 31 March	2017	2016
Mr. Mayura Fernando	-	-

7. TOP 20 SHAREHOLDERS AS AT 31 MARCH 2017

	Name	No. of Shares	%
1	Janashakthi PLC	132,940,720	89.81
2	B G Investments (Pvt) Ltd	4,657,594	3.15
3	Dunamis Capital PLC	2,393,862	1.62
4	First Capital PLC	1,568,818	1.06
5	Seylan Bank PLC/ Shashimaal Ruhash Fernanado	610,503	0.41
6	Rosewood (Pvt) Ltd	600,000	0.41
7	Code-Gen International Pvt Ltd	484,400	0.33
8	Asset Trust Management (Pvt) Ltd	333,300	0.23
9	Commercial Credit And Finance PLC	330,000	0.22
10	Mr. Dinith Yasantha Pathiraja	300,000	0.20
11	TKS Finance Ltd/ R.P.Wijedasa	166,115	0.11
12	TKS Finance Ltd/ K.Jayakodi	159,987	0.11
13	Seylan Bank PLC / Lasantha Chandika Ranaweera	145,001	0.10
14	Mr. Raveen Arifeen	140,371	0.09
15	Mr. Kosgallana Durage Ananda Weerasinghe	133,400	0.09
16	TKS Finance Limited/ T.A.H.R.G.Jayathilake	109,747	0.07
17	Mr. Nilan Asela Saipath Wickramsinghe	100,000	0.07
18	Mr. Dinesh Nuewan Kulasekara	100,000	0.07
19	Mr. Harindra Janaka Herath	75,000	0.05
20	Mr. Johnson Faviell Abeydeera	72,660	0.05

DEBENTURE INFORMATION

Market Values of Listed Debentures

Five year rated secured, redeemable 10,000,000 debentures of Rs.100 each issued on 26th December 2014. These debentures were listed on the Main Board of the Colombo Stock Exchange with 9.25% interest rate per annum payable on semi- annually.

As at 31st March	2017	2016
Highest price	N/T	N/T
Lowest price	N/T	N/T
Last traded price	N/T	N/T

SHARE INFORMATION

Interest Rate of Comparable Government Securities

As at 31st March	2017	2016
2014/2019 (05 Year)	11.97	11.42

Yield to Maturity of Last trade

As at 31st March	2017	2016
Debenture	N/T	N/T

Debenture Related Ratios

As at 31st March	2017	2016
Debt to Equity Ratio (Times)	6.31	2.26
Interest Coverage Ratio (Times)	1.21	1.26
Liquid Asset Ratio	6.30%	44.65%

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 recognized 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.

Collective Impairment Provisions

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

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 recognized 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.

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.

GLOSSARY OF FINANCIAL TERMS

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.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

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 organization 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 organizational 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 organization.

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

	Branch Name	Address	Contact No	E-mail
1	Head Office	18, Sri Sangaraja Mawatha, Colombo 10.	Tel: +94 117 577 577	orientfinance@orient.lk
2	City Branch	200/1. Dr. N.M. Perera Mawatha, Colombo 08.	Tel: +94 117 577 587	city@orient.lk
3	Ampara	01, D.S. Senanayake Road, Ampara.	Tel: +94 637 755 400 Fax: +94 632 223 800	ampara@orient.lk
4	Anuradhapura	561/3, Maithreepala Senanayaka Mawatha, New Town, Anuradhapura.	Tel: +94 257 225 838 Fax: +94 257 225 839	anuradhapura@orient.lk
5	Balangoda	80/A, Barnes Rathwatta Mawatha, Balangoda.	Tel: +94 457 679 440 Fax: +94 457 679 441	balangoda@orient.lk
6	Bandarawela	374, Badulla Road, Bandarawela.	Tel: +94 577 670 135 Fax: +94 577 670 137	bandarawela@orient.lk
7	Batticaloa	298/1,2,3, Main Street, Batticaloa.	Tel: +94 657 675 550 Fax: +94 657 675 551	batticaloa@orient.lk
8	Embilipitiya	77/1, New Town Road, Pallegama, Embilipitiya.	Tel: +94 477 670 612 Fax: +94 477 670 613	embilipitiya@orient.lk
9	Galle	60/B, Colombo RoadKaluwella Road, Galle.	Tel: +94 917 673 312 Fax: +94 917 673 313	galle@orient.lk
10	Gampaha	309/B, Colombo Road, Gampaha.	Tel: +94 337 267 732 Fax: +94 332 236 233	gampaha@orient.lk
11	Hambantota	33/C, Tissa Road, Hambantota.	Tel: +94 477 678 066 Fax: +94 477 678 067	hambantota@orient.lk
12	Horana	254, Panadura Road, Horana.	Tel: +94 347 671 174 Fax: +94 347 671 175	horana@orient.lk
13	Jaffna	306/A, Hospital Road, Jaffna.	Tel: +94 217 672 240 Fax: +94 217 672 241	jaffna@orient.lk
14	Kalutara	294/A, Galle Road, Kalutara North, Kalutara.	Tel: +94 347 388 060 Fax: +94 347 388 060	kalutara@orient.lk
15	Kandy	319, D. S. Senanayake Veediya, Kandy.	Tel: +94 817 500 620 Fax: +94 817 500 627	kandy@orient.lk
16	Kegalle	330, Main Street, Kegalle.	Tel: +94 357 400 450 Fax: +94 357 400 454	kegalle@orient.lk

	Branch Name	Address	Contact No	E-mail
17	Kochchikade	162/4, Chilaw Road, Kochchikade.	Tel: +94 317 311 397 Fax: +94 317 311 396	kochchikade@orient.lk
18	Kurunegala	9/A, Noel Seneviratne Mawatha, Colombo Road, Kurunegala.	Tel: +94 377 389 022 Fax: +94 372 229 969	kurunegala@orient.lk
19	Matara	38, Station Road, Matara.	Tel: +94 417 415 590 Fax: +94 417 415 593	matara@orient.lk
20	Negombo	32, Ave Maria Road, Negombo.	Tel: +94 317 319 562 Fax: +94 317 319 560	negombo@orient.lk
21	Panadura	51, Horana Road, Panadura.	Tel: +94 387 674 188 Fax: +94 387 674 189	panadura@orient.lk
22	Polonnaruwa	13/2, Hospital Junction, Polonnaruwa.	Tel: +94 277 671 486 Fax: +94 277 671 484	polonnaruwa@orient.lk
23	Rathnapura	172, Main Street, Rathnapura.	Tel: +94 457 623 093 Fax: +94 457 623 094	rathnapura@orient.lk
24	Trincomalee	323/1A, Ahambaram Road, Trincomalee.	Tel: +94 267 673 444 Fax: +94 267 673 445	trinco@orient.lk
25	Vavuniya	52/G/5, 2nd Cross Street, Vavuniya.	Tel: +94 247 678 585 Fax: +94 247 678 586	vavuniya@orient.lk
26	Welisara	395, Negombo Road, Welisara.	Tel: +94 117 628 653 Fax: +94 112 236 142	welisara@orient.lk
	Window Offices			
1	Avissawella	21, Kudagama Road, Avissawella.	Tel: +94 367 389 030 Fax: +94 367 389 033	avissawella@orient.lk
2	Chilaw	54, Kurunegala Road, Chilaw.	Tel: +94 324 934 184	chilaw@orient.lk
3	Kilinochchi	Kandy Road (near the Old Hospital), Kilinochchi.	Tel: +94 217 201 186	kilinochchi@orient.lk
4	Nugegoda	19, Railway Avenue, Nugegoda.	Tel: +94 117 221 282	nugegoda@orient.lk
5	Puttalam	116, Kurunegala Road, Puttalam.	Tel: +94 324 934 185	puttalam@orient.lk

NOTICE OF MEETING

Notice is hereby given that the 34th Annual General Meeting of Orient Finance PLC will be held on 18 August 2017 at Renuka City Hotel, No. 328, Galle Road, Colombo 03 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 31 March 2017 together with the report of the Auditors thereon.
2. To declare a Final Dividend of Rs. 0.25 per ordinary share for the year ended 31st March 2017 as proposed by the Board of Directors.
3. 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.
4. To re-elect Ms. Lakshmi Gunatilake, 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-appoint Messrs BDO Partners, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorize the Directors to determine and make donations.
7. To pass the following resolution as a Special Resolution:

   "That the Articles of Association of the Company be altered as follows: -

   Article 26 (5) be deleted and be substituted with the following new Article, viz:

   (a) The Company may enter into contracts or other enforceable obligations in accordance with the provisions set out in Section 19 of The Act.

   (b) The Directors and such other officers of the Company as are authorised by the Board may enter into a contract or other enforceable obligation (including an obligation which, if entered into by a natural person, is required by law to be in writing signed by that person and be notarially attested) on behalf of the Company as stipulated in The Act.

   (c) Such contracts or other enforceable obligations may also be entered into on behalf of the Company by the affixing of the Company Seal in the presence of two (2) or more Directors or of one (1) Director and by the Secretary or of one (1) Director and by any other person duly authorised by the Board who shall attest the sealing thereof. In the event of a Company being the Secretary, a Director or the Secretary or a duly authorised officer of such company may sign for and on behalf of such company as the Secretary.

   (d) The Seal of the Company shall not be affixed other than in the manner set out herein.

   (e) The Board shall provide for the safe custody of the Seal and the Seal shall only be used by authority of the Board."

By Order of the Board

K H L Corporate Services Limited
Secretaries

At Colombo
21 July 2017

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The Completed Form of Proxy must be deposited at the Office of the Company Secretaries, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for 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.	Dr. Dayanath Jayasuriya	failing him
2.	Mr. Prakash Schaffter	failing him
3.	Mr. Ananda Atukorala	failing him
4.	Mr. Anil Tittawella	failing him
5.	Mrs. Lakshmi Gunatilake	failing her
6.	Ms. Minette Perera	failing her
7.	Ms. Indrani Goonesekera	

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 on the 18th day of August 2017 at Renuka City Hotel, No. 328, Galle Road, Colombo 03 at 11.00 a.m. and at any adjournment thereof.

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution.

		FOR	AGAINST
1.	Receiving the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 March 2017 together with the report of the Auditors thereon		
2.	Declaration of final dividend of Rs. 0.25 per ordinary share for the year ended 31st March 2017		
3.	Re-election Ms. Minette Perera, who retires by rotation in terms of Article 25(7) of the Articles of Association		
4.	Re-election Ms. Lakshmi Gunatilake, who retires by rotation in terms of Article 25(7) of the Articles of Association		
5.	Re-appointment of BDO Partners, Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.		
6.	To authorize the Directors to determine and make donations.		
7.	To pass the special resolution in relation to the amendment of article 26(5) of Articles of Association of Company		

Signed on this .... day of .... 2017.

Signature/s………………………………

……………………………………………
Shareholder's N.I.C./P.P./Co. Reg. No.

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy, after filling in legibly your full name and address, by signing in the space provided and fill in the date of signature and your National Identity Card Number.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, K H L Corporate Services Limited of No.15, Walukarama Road, Colombo 03 48 hours before the time appointed for the holding of the meeting.
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.
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 Act No.17 of 1982 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
Dr. D.C. Jayasuriya PC - Chairman
Mrs. Lakshmi K. Gunatilake
Mr. Ananda W. Atukorala
Mr. Anil Tittawella
Ms. Minette D. A. Perera
Mr. Prakash Schaffter
Ms. Indrani Goonasekera
Mr. Ramesh Schaffter
(Alternate director for Mr. Prakash Schaffter)

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.
Tel : +94 112 145 030
Fax : +94 112 372 498

Head Office
No. 18, Sri Sangaraja Mawatha,
Colombo 10.
Tel : +94 117 577 577
Fax : +94 117 577 551
Web : www.orientfinance.lk
E-mail : orientfinance@orient.lk

Company Secretary
KHL Corporate Services Ltd.
No. 15, Walukarama Road,
Colombo 03.
Tel : +94 112 145 030
Fax : +94 112 372 498

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

Internal Auditors
KPMG (Chartered Accountants)
32A, Sir Mohamad Macan Makar Mawatha
Colombo-03
Tel : +94 115 426 426
Fax : +94 11 244 872

Bankers
Commercial Bank of Ceylon PLC
Bank of Ceylon
NDB Bank PLC
Seylan Bank PLC
Sampath Bank PLC
People's Bank

Credit Rating Agency
ICRA Lanka

Accounting Year End
31st March

Designed & produced by
emagewise
Digital plates and printing by Gunaratne Offset (Pvt) Ltd

Orient Finance

www.orientfinance.lk