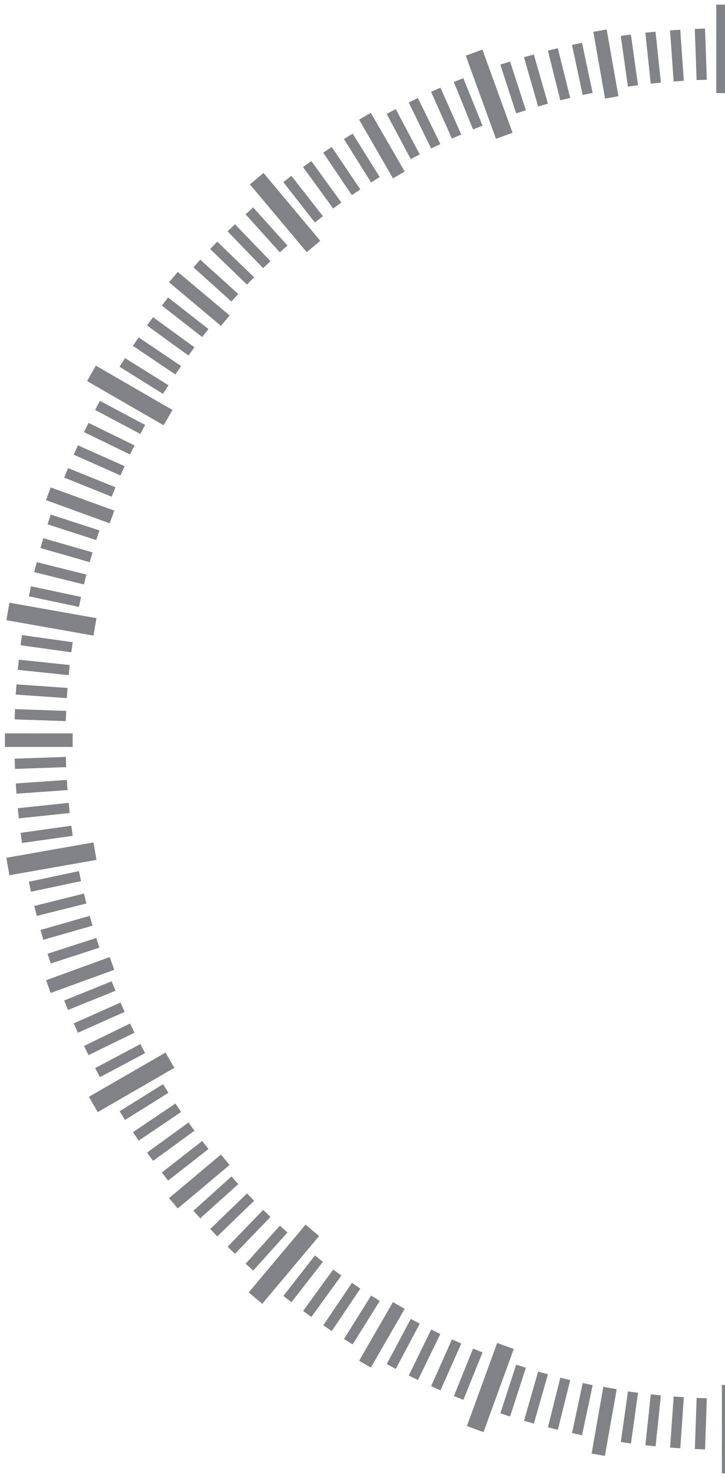
Performance Elevated

Orient Finance PLC | Annual Report 2020-2021

2021

40th ANNIVERSARY

Orient Finance



Performance Elevated

At a time of unprecedented insecurity, we succeeded in achieving our objectives beyond expectations during the year aided by the enduring trust we have built with our customers through our service excellence and inventive product range. This victory of retaining a loyal customer base in turn enabled us to keep our progress throughout our 40-year journey as a valued financial service provider in Sri Lanka. As we move ahead, we will continue our journey focusing on the same fundamentals in achieving future progression.

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VISION

"To be a leading provider of unique Financial Solutions"

MISSION

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

VALUES

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

ABOUT THE REPORT

REPORTING SCOPE AND BOUNDARY

Orient Finance PLC, this year attempts to present an Integrated Annual Report. The reporting period is the financial year ended 31st March 2021. The Company's performance is reported in comparison with the preceding financial year and in relation to the industry, while setting out our future strategy. The report is structured and designed on the theme. The report details key stakeholder engagement, the year's business environment, strategy and actions, operational and financial performance alongside risk management, governance and social responsibility initiatives. The audited Financial Statements and the related notes and requisite disclosures are set out in the report.

METHODOLOGY

The quality of the integrated report is expected to improve in the coming years and be more aligned to the guidelines set out by the Global Reporting Initiative (GRI) as the reporting evolves and matures further. The sustainability reporting is not externally assured. Materiality and completeness of information and data are confirmed by the senior management.

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

INQUIRIES

Queries and clarifications, if any, on this integrated annual report are to be directed to:

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E-mail : sanjeevaj@orient.lk

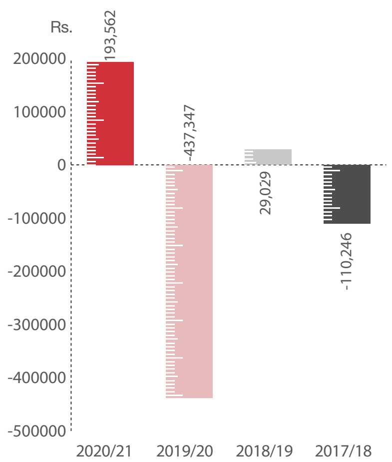
ABOUT THE COMPANY

Incorporated in 1981, Orient Finance PLC (formerly Bartleet Finance PLC), under new parent Janashakthi Limited, is charting a new dawn in the Company's almost four decades of extending cutting-edge financial solutions to a diverse and growing clientele. The Company offers mobilisation of Deposits, Savings Accounts, Leasing, Hire Purchase, Pledge Loans, Factoring, Gold loan, Working Capital, Corporate Financing etc. The listed Company's customer base ranges from high end corporates to budding entrepreneurs through an island-wide branch network. Orient Finance PLC looks ahead to a future of unlimited possibilities while fulfilling customer expectations. Integrity, Performance, Teamwork and Accountability are the key values that drive Orient Finance PLC ahead.

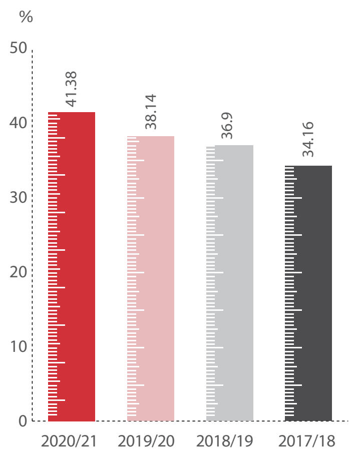
FINANCIAL HIGHLIGHTS

31ST MARCH		2020/2021	2019/2020	Change %
Results for the Year				
Income	Rs. Mn	2,675,722	3,285,238	(18.55)
Interest Income	Rs. Mn	2,441,044	3,052,678	(20.04)
Interest Expenses	Rs. Mn	(1,333,792)	(1,799,708)	(25.89)
Net Interest Income	Rs. Mn	1,107,252	1,252,970	(11.63)
Profit/(Loss) Before Tax	Rs. Mn	259,854	(425,689)	161.04
Profit/(Loss) After Tax	Rs. Mn	193,563	(437,347)	144.26
Position at the Year End				
Shareholders' Funds	Rs. Mn	2,886,930	2,710,210	6.52
Customer Deposits	Rs. Mn	8,692,941	9,020,632	(3.63)
Loans and Advances to Customers	Rs. Mn	11,447,030	12,339,298	(7.23)
Total Assets	Rs. Mn	14,888,918	15,637,536	(4.79)
Per Share				
Earnings /(Loss) Per Share	Rs.	0.92	(3.06)	
Market Price Per Share	Rs.	13.9	6.1	
Net Assets Per Share (Year-End)	Rs.	13.68	13.00	
Ratios				
Gross Profit/(Loss)	%	41%	38%	
Interest Margin	%	9.31	(9.50)	
Return on Equity	%	3.27	(17.94)	
Return on Assets (Before Tax)	%	7.61%	(2.65%)	
Statutory Ratios				
Core Capital to Risk Weighted Assets Ratio (Min.5%)	%	10.98	9.90	
Total Capital to Risk Weighted Assets Ratio (Min.10%)	%	12.40	11.32	
Liquidity Ratio (Min.5%)	%	11.60	11.32	

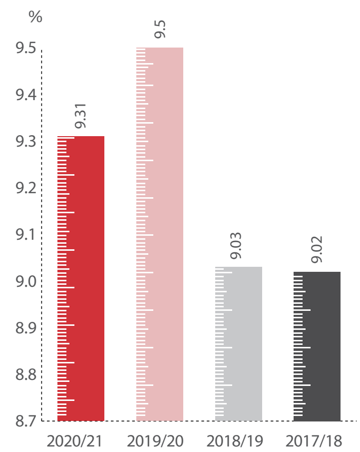
Profit After Tax



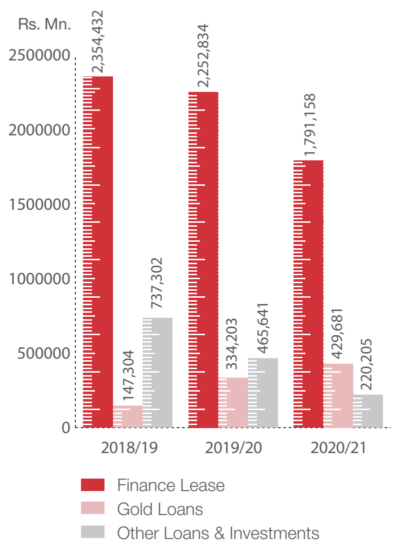
Gross Profit Margin



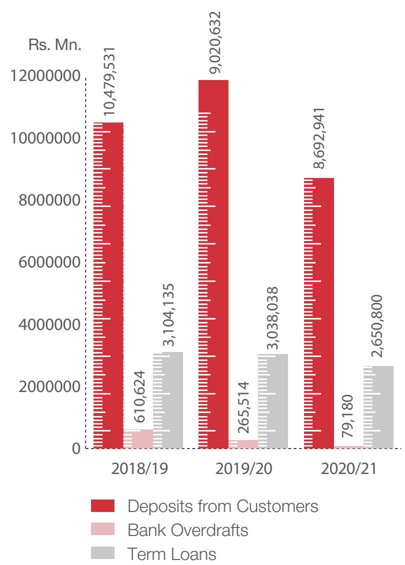
Net Interest Margin



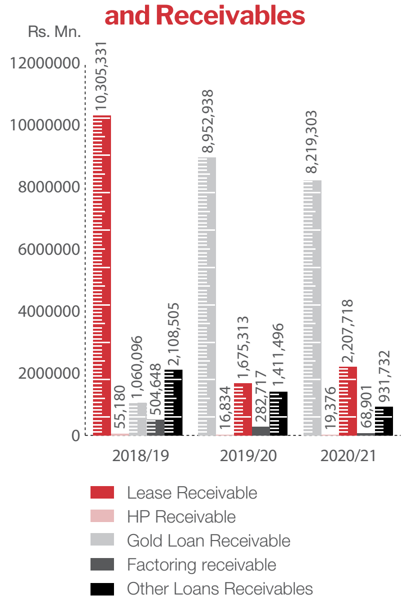
Composition of Interest Income



Composition of Source of Funds



Composition of Loans and Receivables



CHAIRMAN'S MESSAGE

> COMPANY MANAGED TO TURN AROUND THREE YEARS OF CONSECUTIVE LOSS-MAKING INTO A PROFIT

I am pleased to welcome you to the 38th Annual General Meeting of Orient Finance PLC and to place before you the Audited Financial Statements for the financial year ending 31st March 2021. Overall, the period under review, as you will agree, was a very challenging one not only for the Company, but for the financial services industry as a whole, severely impacting the economy.

ECONOMIC BACKDROP

The Sri Lankan economy has been experiencing a loss of growth in recent years and encountered new and further challenges on account of the outbreak of COVID-19 in 2020. Reflecting the combined effects of the spread of COVID-19 locally and the introduction of lockdown measures, economic activity slowed. The Central Bank of Sri Lanka (CBSL) initiated a series of monetary easing measures, including multiple reductions of the policy rates and the Statutory Reserve Ratio (SRR), thereby injecting ample liquidity into the market and lowering borrowing costs significantly, given the unprecedented circumstances caused by the pandemic.

The adverse effects of the pandemic also prompted the introduction of concessional credit schemes to fulfil the needs of Small and Medium Scale Enterprises (SMEs), alongside debt moratoria for businesses and individuals affected by the pandemic. In parallel, restrictions were placed on non-essential imports to stabilise the external sector. The Balance Of Payments (BoP) experienced subdued performance during the year under review. The success of containing COVID-19 locally and globally remains critical in determining the pace and the magnitude of domestic economic recovery and revival in the period ahead.

WE CONTINUE TO ACHIEVE SHAREHOLDER VALUE

NEW RECRUITS

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WE REMAIN CUSTOMER-FOCUSED

The performance of the fiscal sector too was significantly affected by the decline of government revenue amidst the economic fallout of the pandemic. In the case of licensed finance companies and other financial institutions, their challenge was further compounded on account of the interest moratorium announced by the government for small and medium enterprises (SMEs) which had to be provisioned for by finance companies.

COMPANY PERFORMANCE

Considering the exacting circumstances under which the Company operated, I am happy to note that the company performed well despite all the challenges faced during the year, reporting a profit of Rs. 193.5 Mn profit after tax for 2020/21 in comparison to a loss of Rs. 437 Mn in the preceding year.

In a significant achievement, the Company managed to turn around two years of consecutive loss-making into a profit, mainly due to the reduction of impairment caused by Rs. 904 Mn in 2020/21. The predominant reason for this was the management being able to increase its collections and recover dues that were owed to the Company. The credit for this achievement goes to the CEO and the entire team at Orient Finance PLC who were able to generate this profit amidst difficult circumstances.

Meanwhile, the total income of the Company declined overall to about 18%, amounting to Rs. 609 Mn compared to the previous year, mainly due to the decline of the loan portfolio. The loan portfolio dropped by about 7% which is on par with the industry.

Moreover, a minimum cap was imposed on interest rates by CBSL circular No. 5 of 2020, allowing only up to 11.5% interest rate for the moratorium granted. As a result, almost Rs. 243 Mn in income had to be forgone for the six-month period. Since there was a limit on the lending rate, our cost of funds narrowed, thereby eroding Company profitability.

Nevertheless, I would like to reiterate that the Company recorded Rs. 193.3 Mn in profits for the year, which by any standards is a healthy performance amidst a global pandemic and its economic fallout.

Yet another challenge was that interest expense reduced by about 29% - amounting to Rs. 465 Mn when compared to the last financial year, due to a decrease in the deposit portfolio. With the interest rate differential between banks and finance companies narrowing sharply, some customers migrated their savings to banks. As a consequence, income fees, commission charges and other operating income reduced by almost Rs. 40 Mn due to low business volume while impairment costs reduced by 89% when compared to the preceding year, mainly due to the timely recovery actions taken during the year. The overall balance sheet of the Company reduced by as much as Rs. 14.8 Bn in 2020/21, as a result of a drop in the loan and savings portfolio.

During the year under review, personnel expenses declined and the Company's cost base reduced accordingly, such that liquidity was high, which resulting in bringing down bank borrowings.

Despite the challenges, the Company ensured all measures taken were sustainable and within the regulations laid down by CBSL.

COMPANY RECORDED RS. 193.5 MN IN PROFITS FOR THE YEAR, WHICH BY ANY STANDARDS IS A HEALTHY PERFORMANCE AMIDST A GLOBAL PANDEMIC AND ITS ECONOMIC FALLOUT.

PURSUING SUSTAINABILITY

As part of the Janashakthi Group, Orient Finance PLC contributes to overall Group sustainability initiatives. Across our operations, we continue to achieve shareholder value by providing our customers with unique investment opportunities and financial solutions for their retirement. Towards this end, the Group strength and decades-long experience has helped the Company achieve profitability during an albeit challenging year.

GOOD GOVERNANCE

Strong corporate governance is the basis of our corporate culture. As a part of this process, we have further refined the governance framework of the Company by reviewing the system, existing policies and procedures. The Company has enlisted the expertise of Mr. Sriyan Cooray and Mr. Darshana Ratnayake as Directors in this regard. We continue to comply with moratoriums as directed by CBSL while extending relief even beyond moratoriums to our customer base through the pandemic period.

FUTURE OUTLOOK

Our vision for the Company is to continue to build profitability while ensuring sustainable operations, to strengthen the balance sheet and build the confidence of the people in the Orient Finance PLC brand. We remain customer-focused to have people rely on the Company to bank their savings and also to be the preferred partner for all their financial requirements under one roof.

Now that the Company has turned around and recorded profitability, we expect our ratings to improve and remain committed to working towards a better level in our Grade 1 rating.

We look ahead with optimism for building further on the profitability levels achieved during the year under review by also consolidating our branches in Colombo for a more optimal and efficient operation.

APPRECIATION

I would like to thank my colleagues on the Board for their unstinted support through a difficult year and would like to make a special mention of our CEO, Mr. Jabir for his dynamic leadership under which we have witnessed tremendous team spirit among our dedicated and hardworking team, and for completing his first full year with the Company. The extent of commitment of the entire team through the year is reflected in the profitability achieved during the year under review. I would also like to commend our loyal customers for continuing to place their faith in our ability to surmount all challenges while safeguarding their interests at all times.

Anil Tittawella
Chairman
4th August 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

TURNING THE COMPANY AROUND ON THE PATH TO PROFITABILITY, AFTER THREE YEARS OF LOSS-MAKING AND THAT TOO IN A VOLATILE YEAR

I am pleased to share the performance of Orient Finance PLC for 2020/2021. The year under review was a watershed period as we recorded a profit before tax of Rs.193.5 Mn and overcame the status quo of four consecutive years of loss-making. This outstanding performance was all the more significant because it was achieved in a year of all kinds of disruption caused by the global pandemic. Needless to say, this achievement reflects the new winning spirit that prevails internally within the Company and externally amongst the Company's relationship with its stakeholders.

MACROECONOMIC PERFORMANCE

The Srilankan economy was abounded with complex challenges this year. Alongside the global economic slowdown induced by the pandemic, the Sri Lankan economy contracted by 3.6% in 2020. Lockdowns and other containment measures to curb the spread of COVID-19 caused an economic slowdown across most sectors. In spite of the overall contraction, the economy began to show strong signs of recovery during the second half of 2020, responding to the pro-growth policy initiatives across the fiscal and monetary policy fronts.

INDUSTRY PERFORMANCE

The Non-Banking Financial Institution (NBFI) sector's performance deteriorated during the year, with negative credit growth and high Non-Performing Loans (NPLs). The larger players were able to withstand the shock to the wider economy and financial system, but several small players found it tough going. As a medium-sized company, Orient Finance PLC, with its backing by the Janashakthi Group proved to be the strong pillar in strengthening the Company's balance sheet.

In addition to the COVID-19 pandemic related growth impediments, the reduction of consumer confidence due to issues observed in the sector contributed towards the sluggish performance of the industry. Despite certain institutions encountering difficulties to fulfil regulatory requirements at an individual level, the sector remained stable with capital and liquidity maintained at healthy levels above the minimum regulatory requirements. The Central Bank continued to introduce prudential measures to maintain the stability of the sector and granted regulatory flexibility to support the sector in facing the challenges posed by the pandemic.

COMPANY RECORDED A PROFIT AFTER TAX OF RS. 193.5 MN

WORKFORCE

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THE COMPANY CONTINUED TO MEET THE REGULATOR'S MINIMUM CAPITAL ADEQUACY LEVELS

COMPANY PERFORMANCE

Despite the challenging economic and financial market conditions, the Company recorded a Profit after tax of Rs. 193.5 Mn for 2020/21 compared to the loss of Rs. 437.3 Mn during the last financial year. The net operating income of the Company grew by almost 161% amounting to Rs. 760 Mn compared to the previous financial year mainly due to reduction of impairment provision through improving recovery and reduction of yard stock during the year under review. The Company continued to meet the regulator's minimum capital adequacy levels, recorded improved collections and reduced non-performing loans during the financial year under review. As per the new strategic plan, the balance sheet will be further strengthened to reach a well-capitalised Company status within the next three years.

STRATEGY AND EXECUTION

Turning the Company around on the path to profitability after three years of loss-making and that too in a volatile year, amidst the adverse impact of the pandemic is creditable and reflects a massive team effort. The unending support received from customers and employees made a cumbersome task, easy. The strategy employed by the senior management consisted of understanding the root of the unique challenges faced by employees and customers, with effective measures being put in place to address them accordingly.

CHIEF EXECUTIVE OFFICER'S REVIEW

It was evident that the team at Orient Finance PLC was suffering from low morale and lack of a clear strategy for how the Company would emerge from its loss-making status. As a result, we embarked on strengthening relationships with employees, addressing their grievances and charting out a clear career progression path. The mindset change amongst employees was achieved by giving them motivational talks and explaining the dynamic profitability strategy drawn up by the leadership. By setting out a clear leadership hierarchy and allocating clearly defined KPIs, they were more in control of their future and in turn, the Company's future. This resulted in a change-over to a positive mindset, with a renewed sense of purpose to tackle challenges head-on.

Thereafter, we focused on customers and adopted a unique approach, since the pandemic has affected different customers in different ways and a one-size-fits-all customer policy was not an efficient way of solving the issues they faced. As a result, customers were categorised into different segments according to their financial circumstances and each team was given short and long term indicators they had to achieve while handling their respective segments.

The senior management felt it was also important to help employees understand that customers were facing severe challenges and that they would have to adopt a tone of empathy and partnership while simultaneously guiding customers in a manner that genuinely benefitted them. As a result, employees supported customers by encouraging them to restart businesses, even extending more loans where necessary and helping them chart out their cash flow situation in a manner that enhanced their financial position and that of the Company as well. This proved to be a win-win approach and delivered positive results.

One of the other challenges faced by the Company was the moratorium announced by the Central Bank of Sri Lanka. The senior management reflected on how to turn the moratorium into an opportunity and invested in research and surveys to best comply with the regulator, while safeguarding the Company. Once again, we approached customers by educating them about the terms of the moratorium and helped them understand that they should use the relief provided to fuel their businesses and that Orient Finance PLC would stand by them. As a result of this constant relationship building, we found customers who were earlier reluctant to repay their loans actually making payments, as they saw the long-term advantages of partnering with us.

Giving psychological, emotional and financial support to customers enabled us to face the challenges together with confidence. I believe this is a great instance of the vision of the leadership of the Company, and the cooperation and hard work by the entire team to achieve the common goal. What gives me the greatest pride is that the sustainable approach we adopted ensured that we did not propose any quick-fix solutions to tide over the immediate crisis and instead adopted long-term solutions to benefit both customers and the Company.

Amidst counselling customers, we took the opportunity to drive home the importance of saving a proportion of their income to help combat periods when incomes might drop as it happened during the pandemic. I am pleased to see that many customers have taken this advice to heart and are consciously setting aside savings every month. This advice was also shared with employees to inculcate a savings culture.

One of the greatest strengths I recognise in the leadership was the ability to build confidence amongst all stakeholders and the ability to build trust in the Orient Finance PLC brand. An open door policy and regular clear communication of all decisions cascaded down to the most junior staff which has enhanced transparency and improved cooperation and faith in the future of the Company.

Orient Finance PLC managed to navigate the tumultuous year with a calm approach. The gold loans business unit performed strongly during the year, achieving 32% growth, the leasing and loans portfolio experienced a slight decline. Nevertheless, it was managed well and gave no cause for concern given the operating conditions. More importantly, we adopted a disciplined approach whereby we did not coerce customers so as to avoid financially overburden them during this difficult period.

Recovery and collections were key focus areas for the staff during the year under review, but this too was implemented methodically by examining the arrears portfolio month-wise, and then allocating the targets to be achieved in collections. In some cases, instead of repossessing assets to meet targets, we helped customers understand the need to restart their businesses so that they could repay from their earnings rather than succumbing to the pressure and surrendering assets. This approach is borne out of the realisation that we want to ensure long-term relationships with customers and this gesture was deeply appreciated by our customers, thereby building customer loyalty.

Our employees displayed diligence and dedication in carrying out their duties and the greater efficiencies in the system resulted in higher productivity and a happier team.

Our sustainable approach also lead us to engage with local communities in their times of need. During the year, the Company supported senior citizens amongst our customer base by delivering medicines and groceries to their doorsteps during the lockdown. A Blood donation campaign was also conducted to replenish the national blood bank. On a request by the Nugegoda Police, the Company sponsored hoardings and boards to be placed in the area for educating the general public about road safety. In an aim to reduce our carbon footprint we have embarked on tree-planting and hope to accelerate this reforestation effort further.

Apart from turning around a loss-making institution into a profitable one within this period, one of our greatest achievements this year was winning the hearts and minds of both employees and customers.

FUTURE OUTLOOK

During the year under review, Orient Finance PLC's short-term strategy was to re-engineer the Company to drive efficiency and renewed positivity to help achieve budgeted targets, while the long term strategy was sustainable, long-term profitability. Financial resiliency is key for finance companies as is growth of the balance sheet and the right product mix – all factors that would set us on the path to profitability. The management has set up contingency funding plans of Rs. 1 Bn by three years which was approved by the Board of Directors of the Company. This contingency fund will facilitate Orient finance to be a more resilient financial institution as an addition to the statutory liquidity level ratio maintained as set out by the regulator in the year under review.

I am pleased to report that Orient Finance PLC is strengthened by its positive cash flow position. The Company's liquidity is monitored weekly by the senior management to ensure all parameters are being closely watched and analysed as a practice that engenders trust and confidence among our stakeholders.

In the restructuring of our branch network, 31 branches have been divided into seven regions, with seven experienced Regional Managers who have been appointed to oversee the profitability for their assigned branches, which will provide added impetus for each branch to meet its targets. The Regional Managers have been empowered in terms of deposit mobilisation, collections, business disbursements and achieving profitability targets. The re-engineering effort was supported by regular training and development of employees so that they possess adequate skills to achieve their goals. The senior management remains in touch weekly with each branch to ensure they have all the resources they need to achieve their KPIs.

Now that the Company is on the path to profitability, we are looking beyond the horizon by expanding our footprint in new regions whilst establishing new subsidiaries.

ACKNOWLEDGEMENTS

I take this opportunity to extend my sincere appreciation to the Chairman and the Board of Directors for the immense support and guidance given to me throughout the Financial Year. I would like to thank the Governor of the Central Bank of Sri Lanka and the Officials at the Department of Supervision of Non-Banking Financial Institutions, for their direction and constant support. Our valued customers continue to inspire our efforts to provide an enhanced service. I thank them for placing their trust in us. The sincerity and dedication of the entire team of Orient Finance PLC has helped us achieve success. Our shareholders and other stakeholders need to be commended for continuing to place their confidence in our ability to further build on our profitability in the year ahead. May this year continue to bring in prosperity to the Orient family!

Thank you.

K. M. M. Jabir
Director/Chief Executive Officer
4th August 2021

BUSINESS MODEL

CAPITAL INPUTS

- FINANCIAL CAPITAL
- MANUFACTURING CAPITAL
- HUMAN CAPITAL
- INTELLECTUAL CAPITAL
- SOCIAL & RELATIONSHIP CAPITAL
- NATURAL CAPITAL

VALUE TRANSFORMATION

- Strategy (Sustainable strategies to increase profitability and maximise shareholder wealth)
- Vision & Mission
- Corporate Governance & Risk Management
- Product Development (Benefit customers by fulfilling needs and uplifting lives and livelihoods)
- Managing Opportunities & Risks
- Core Values (Economic value creation, Employee Wellbeing, Social and Environmental Stewardship)

OUTPUTS

FINANCIAL CAPITAL

Profit After Tax: Rs. 193.5 Mn
Interest Paid: Rs. 1,597 Mn
Dividend Payout: -
Share price increase by Rs. 7.8

MANUFACTURED CAPITAL

Property, Plant, Equipment: Rs. 61.8 Mn

HUMAN CAPITAL

Salaries and Benefits: Rs. 400 Mn
Training and Development: Rs. 3.8 Mn
COVID-19 safety for Employees: Rs. 5 Mn
Attrition Rate: 37%

INTELLECTUAL CAPITAL

New Products
Brand-building Expenditure

CUSTOMERS SERVED:

COVID-19 Safety Measures for Customers

NATURAL CAPITAL

Monitoring Waste Generated & disposal outsourced to certified third party
Monitor waster usage

STRATEGY AND PERFORMANCE

OPERATING ENVIRONMENT

The outbreak of COVID-19 and its impact on the global and local economy tested the resilience of Sri Lanka's financial sectors. In-built strengths and capacities of the financial system and prompt actions taken by the Government and the Central Bank of Sri Lanka (CSBL) eased the pressure triggered by the pandemic to a greater extent. Continued accommodative monetary policy measures to exert downward adjustments to market interest rates, facilitating adequate liquidity and credit in domestic markets, introduction of concessional credit schemes and offering debt moratoria to businesses and individuals affected by the pandemic and regulatory forbearances to the financial sector positively, contributed towards the resilience of the financial system and restoring market confidence in 2020.

However, due to the negative effects stemming from the COVID- 19 pandemic, the economy contracted overall in 2020. Declining earnings from tourism and exports, while recording foreign cash outflows from financial markets compounded by mobility restrictions, affected the performance of the corporate sector and household incomes. Headwinds of sluggish economic performance and the Easter Sunday attacks had already affected their performance in 2019, as reflected by the deterioration in asset quality and profitability. Travel restrictions across provincial borders and economic lockdowns led to a significant decline in revenues of corporates and household sector of the country. In an environment of limited fiscal space available to stimulate the economy hit by the COVID-19 pandemic, a debt moratorium was implemented through the financial sector to support borrowers who had lost their income.

Meanwhile, the sovereign rating of Sri Lanka was downgraded by three rating agencies, heightening the challenges to service the country's external debt. Despite proactive policy measures taken by the regulators that have been effective up to now in stabilising markets, the local financial markets remain volatile to COVID-19 pandemic related developments.

INDUSTRY PERFORMANCE

Non-Banking Financial Institutions (NBFIs) in the country remained resilient amidst unprecedented shocks to economic activities caused by the COVID-19 pandemic globally and domestically. The performance of some NBFIs was impacted by the introduction of import restrictions to curtail non-essential imports and the sovereign rating downgrade. Lower demand for loans and advances forced banks to divert their funds to liquid assets such as Treasury bills and Treasury bonds with lower returns.

The period under review was challenging for NBFIs in terms of higher credit risk, declining profitability and inadequate capital levels for a number of companies. However, the sector as a whole, maintained capital and liquidity buffers well above the regulatory minimum levels. The Central Bank announced a Master Plan of consolidation aimed at strengthening the sector, by facilitating the merger of distressed finance companies. If macro-economic vulnerabilities continue, the resilience of the sector may be hampered creating solvency and liquidity issues in the sector. Successful containment of the COVID-19 outbreak, revival of the economy and ensuring macroeconomic stability are critical for the stability of the NBFI sector in 2021.

Sluggish economic activities experienced in the aftermath of the Easter Sunday attacks, resulted in further deteriorating the asset quality of the sector, which was at a challenging level even before facing the COVID-19 pandemic. The outbreak of COVID-19 further exacerbated the asset quality of the sector. The real impact of the pandemic on asset quality is expected to be realised upon cessation of the moratorium.

COMPANY PERFORMANCE

The Year 2020/21 tested the core strengths and the stability of companies within the sector. Orient Finance PLC was faced with the challenges that arose as a result of the COVID-19 pandemic that caused severe disruption in both market and economic conditions in Sri Lanka. Accordingly, some of the challenges faced by the Company were that interest income generation was affected for approximately six months due to the provision of the debt moratorium to over 35% of the facility base during the first wave. Orient Finance PLC's expansion policy had to be delayed and held back due to the unfavourable economic and market conditions mainly resulting from the pandemic. Imposition of restrictions on the importation of vehicles hindered the new business opportunities and expansions, further compounded by interest rate volatilities. Despite these challenges the Company transformed into a profitable institution after three years of making losses, which is commendable considering the disruption in the economy seen during the year.

FUTURE OUTLOOK

Considering the challenges posed by the on-going pandemic, we expect the economy to recover at a slower pace. However, we remain optimistic for the prospects for the Company which has shown resilience in the face of seemingly insurmountable odds and is on the path to profitability. We will continue to focus on consolidation of the portfolio while marking a growth of 30% in the portfolio. The product range in both lending and deposit will be extended while focusing more on the professional and millennial segments in the market. The OFPLC with the implementation of the new core banking system will be geared to go on fund sourcing through a savings drive. Strategic intent of the Orient Finance PLC revolves around managing customer relationships and providing all the customers a memorable experience.

STAKEHOLDERS

Stakeholder Engagement and Materiality Analysis			
Key Stakeholders	**Level of Influence**	**Material Issues**	**Engagement Process**
Parent Company, Janashakthi Limited	● (High)	• Operational and financial performance • Business synergies • Good governance and risk management	• Progress reports and meetings • Monthly Financial Statements • Group meetings • Business agreements • Annual Report • Annual General Meeting • Extraordinary General Meeting
Customers	● (High)	• Value added product range	• Communication material • Website • 24-hour call centre • Customer feedback
Employees	● (High)	• Due promotions, rewards and remuneration • Performance based culture • Skills development • Welfare	• Periodic staff meetings • Staff circulars • Intranet and e-mail • Training • Performance appraisals
Communities	● (Medium)	• Community recruitments • Community service projects and philanthropic activities	• Charity projects • Employee volunteerism
Environment	● (Low)	• Carbon footprint of operations • Environmental laws and regulations	• Environment campaigns • Employee volunteerism
Regulatory and Statutory Bodies	● (Medium)	• Compliance with regulations and statutory requirements • Good corporate governance	• Meetings • Annual Report • Disclosures • Industry forums
Industry Association	● (Low)	• Discussion of industry issues • Lobby for key industry issues	• Association meetings • Industry forums • Association website

- ● High
- ● Medium
- ● Low

MATERIALITY

We present our business and operational focus in a capital perspective, which include business priorities in our material topics, captured through all six capitals to determine material issues. Material importance of each aspect stems from its impact on the Comapny's ability to create value. Hence, we employ a focused evaluation process, which includes stakeholder engagement to identify material aspects and key issues.

Leadership teams identify material topics through engaging stakeholders, in particular internal stakeholders (employees) through a strategy development process. Subsequently, the Company refines and consolidates key concerns at the organisational level, taking a detailed view of material topics' impact on the Company. Each topic is rated based on the level of impact on the Company and stakeholders.

OFP conducts materiality analysis on an annual basis, so as not to disrupt the Group's business concerns unduly. Annual analysis of materiality creates ample breadth to address concerns of all stakeholder groups. The Company's risk management and governance processes consistently monitor identified material topics to protect Group assets and maintain integrity of reputation.

Material Aspects	Level of Importance	
	Company	Stakeholders
Growth Strategy and Value Creation	2	1
Sustainability	1	1
Training and development	1	1
Rewards and recognition	1	1
Employee retention	2	2
Gender parity	1	1
No discrimination	1	1
Equal opportunities	1	1
Positive work environment	2	1
Health and safety	2	2
Systems for productivity	2	1
Career growth	1	2
Speed of service and improved efficiency	1	1
Increased access and diversified channel network	1	1
Digital solutions	1	1
Enhanced customer service	2	1
Diversified portfolio and affordable solutions	1	2
Improved relations with business partners	2	2
Increased contributions to society	1	1
Socio economic compliance	1	1
Increasing returns to Shareholders	2	2
Increasing GWP, revenue and profitability	2	1
Optimum operational costs	1	1
Optimum use of property, plant and equipment for services	1	1
Risk Assessment and Management	1	1
Corporate Governance, Compliance and Internal Controls	1	1
Operating environment	1	1

1 - Medium

2 - High

MANAGEMENT DISCUSSION AND ANALYSIS

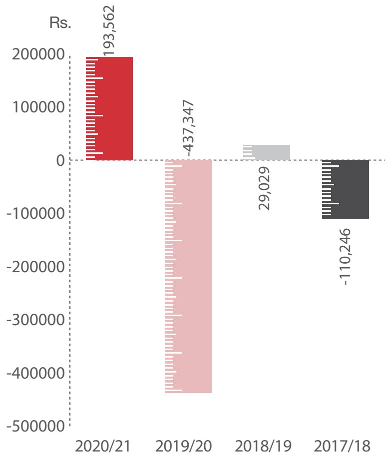
FINANCIAL CAPITAL

The 2020/21 Financial Year brought fresh challenges as a result of the COVID-19 outbreak. The Sri Lankan economy was adversely impacted just as it was on the path to recovery after a weak 2019 year due to the Easter Sunday attacks. After the initial success with curbing infections, subsequent waves and several lockdowns and travel restrictions slowed the economy and impacted economic activities and business in general. Even though the year under consideration was unfavourable for conducting business overall, for OFP particularly it was a watershed year as the trend of loss-making over the previous three years was finally reversed in 2020/21 as the Company recorded a profit, surmounting all obstacles during the period.

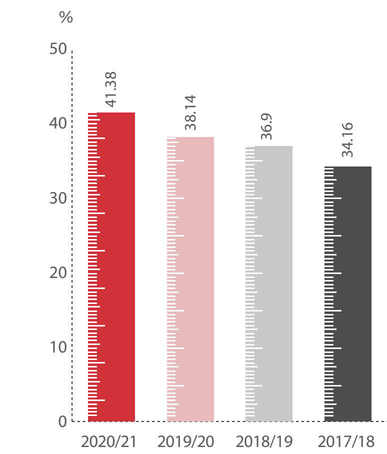
COMPANY PERFORMANCE

Despite the challenging economic and financial market conditions, the Company recorded a Profit After Tax of Rs.193.5 Mn for 2020/21 compared to the loss of Rs. 439 Mn during the last Financial Year. The profitability was achieved despite having to forego Rs. 243 Mn as interest income on account of the moratoriums which had to be extended at a maximum interest rate of 11.5%. No amount of pandemic-induced disruption during year, including a lockdown of three to four months and moratoriums, could dampen the Company's strong growth trajectory. Moreover, the Central Bank of Sri Lanka has characterised the Company in the 'A' category on the basis of meeting regulatory requirements including capital adequacy levels, which reflects OFP's superior compliance standards, improved collections and lowered non-performing loans during the Financial Year under review.

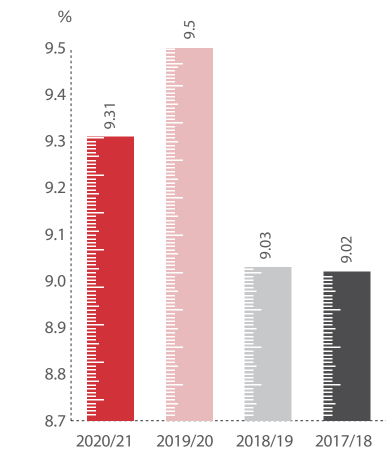
Profit After Tax



Gross Profit Margin



Net Interest Margin



TOTAL INCOME

Meanwhile, the total income of the Company declined overall by about 18%, amounting to Rs. 609 Mn compared to the previous year, mainly due to the decline of the loan portfolio and concessionary rate granted for moratorium loan facilities amounting to 6781 Overall business sentiment was weak and the slowdown made it difficult to achieve budgets and expand the portfolio. Loan portfolio contracted by Rs. 800 Mn due to the pandemic induced market conditions.

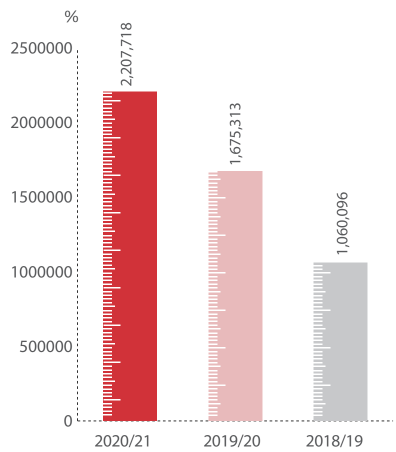
TOTAL ASSETS

The Total Assets of the Company for the year under review reduced to Rs.14.8 Bn in 2020/21 from Rs.15.6 Bn of the last Financial Year due to the accelerated reduction in Loans & Receivables and the portfolio not achieving expected growth.

Loans disbursement fell from Rs. 5.4 Bn as at end March 2020 to Rs. 4.6 Bn for the corresponding period in 2021 due to pandemic induced factors. Overall investor and development sentiment was weak due to which the balance sheet could not be grown. The drop by 4.8% is due to reduced business volumes caused by the subdued economic environment.

On positive note, OFP was able to increase Gold loan portfolio by 32% to Rs. 2.2 Bn compared to Rs. 1.6 Bn last year.

Gold Loan



INTEREST EXPENSES

Yet another challenge was that interest expense reduced by about 25% - amounting to Rs. 1.3 Bn when compared to the last Financial Year to Rs. 1.8 Bn due to a decrease in the deposit portfolio. Overall interest rates reduced so Interest Expenses were on a declining trend, one of the reasons the Company was able to earn a profit.

OPERATING EXPENSES

Operating costs of the Company increased from Rs. 908 Mn in 2019/20 to Rs. 1.03 Bn mainly due to planned relocation of branches to more prominent locations along with selective upgrading and refurbishment of the branch network. Considering the work from home mode of working during the year, cost controlling measures in the conventional manner could not be tracked. However, after experimenting with several work models, the Company is confident of reducing costs by adopting a hybrid model which should reduce the need for more bricks and mortar branches. During the year, the Company paid VAT & NBT on financial services amounting to Rs. 66 Mn to the government.

PERSONNEL EXPENSES

During the year under review, personnel expenses declined from the beginning of the financial year as there was an executive salary cuts while travel restrictions resulted in travel allowances going unclaimed. As a result, personnel cost structure decreased and the Company's cost base reduced accordingly.

CASH & CASH EQUIVALENTS

Cash & Cash Equivalents and Investments with banks rose from Rs. 70 Mn in 2019/20 to Rs. 225 Mn respectively due to the underutilisation of excess funds.

LIABILITIES

Deposits declined marginally from Rs. 9 Bn in the previous year to Rs. 8.7 Bn in 2020/21 and borrowings reduced due to excess liquidity in the market. OFP utilised the cash surplus to settle bank facilities and high cost borrowings. Borrowings too fell from Rs. 3 Bn in 2019/20 to Rs. 2.6 Bn in the year under review. Bank overdrafts went unutilised during the year under review due to surplus funds with the Company.

STATED CAPITAL

OFP's stated capital was maintained as Rs. 2,432 Mn as in the previous year since there was no capital issued during the period. .

RETAINED EARNINGS

As a result of the annual profit of Rs. 193.5 company's retained loss reduce from (Rs. 173.8 Mn) to (Rs. 16.5), during the year under review.

MANUFACTURED CAPITAL

Manufactured Capital is a blend of Building, Property, Plant and Equipment, Branch network and IT equipment that supports our value creation process. These physical assets enhance our ability to generate value for stakeholders through ensuring efficiency and optimisation of all assets.

MANAGEMENT APPROACH

The main aim of our Manufactured Capital is to enhance access to our financial services for customers island-wide while offering them the best mix of products and services underscored by efficient systems backed by technology and a customer-centric approach.

CHALLENGES FACED	MITIGATION MEASURES
In the year 2020/21 the local and global leasing industry experienced varied challenges. The first half of the year resulted in curtailing of operations in all aspects in lending, recovering and borrowing as a result of the country being affected by the COVID-19 pandemic, while the second half saw some measure of business activity.	• Aggressively marketed Gold Loans product as this continued to grow during the year • Focused on recovery and collections
Overall, market shrank with restricted operations during the period.	• With few avenues for expanding market share we focused on relationship building with existing customers by helping them manage cash flows • Undertook a host of customer care measures to cement the Orient Finance brand in the customers' mind • Helped customers benefit from debt moratorium • Rescheduled facilities to customers thereby establishing a strong customer relationship
With the governments regulatory restrictions on the importation of the vehicles the NBFI sector was faced with a negative impact where the overall industry was mostly relying on the Vehicle leasing.	• Disposed of 700-plus stock piled vehicles • Put greater emphasis on recovery and collections

BRANCH NETWORK

The Company has 31 branches located across all provinces. Map of branches is referred in pages 149 to 150.

NEW BRANCH INITIATIVES

During 2020/21, the 31 branches were subdivided into 7 regions and Regional Branch Managers were appointed who will bear the ultimate responsibility for the profitability of the branches under their purview. Every Regional Manager has been allotted KPIs which must be met within the stipulated period. The Company's Negombo and Kegalle branches were relocated to new upgraded premises to serve customers better.

PRODUCT PORTFOLIO

FINANCE LEASES

Orient Finance offers finance leasing facilities for individual or corporate use. From products ranging from car leasing to equipment and machinery leasing, Orient Finance supports customers with all leasing or hire purchase requirements. Flexible, affordable and hassle free leasing and hire purchase offers are available.

MORTGAGE LOANS/TERMS LOANS

Orient Finance mortgage loans are designed not only to fulfill the dream of owning a property or a house, but also as a mean of providing finance assistance for their business requirements by offering them a loan amount against their immovable properties with an affordable rate.

COVID REFINANCING FACILITIES

In view of supporting our existing client base during the pandemic and to revive their income sources, the Orient COVID Refinancing scheme was designed. This scheme supported many of the clients to resurrect their businesses and income sources by using flexible payment plans that were offered.

LIFE LINE LOAN

The personal loan scheme was offered for fixed income earners in both the private and the public sectors. The product was mainly focused on young professionals as a means of providing a new lifeline for their lifestyle.

OD + FACILITY

Orient Finance, with the objective of providing a financial boost to businesses requiring working capital, introduced the OD++ loan scheme. This scheme focused on fulfilling short term capital requirements where the borrower has the ability to service the interest portion of the facility for a designated period until the cash flows of the borrower is managed.

ORIENT TRADE IN FACILITY

Orient Finance's trademark product created a storm in the market because it makes upgrading vehicles easy as never before. The client can simply trade in the existing vehicle and upgrade to a newer model while Orient Finance team handles the rest. The product was very popular among all professionals due to the hassle-free service experience.

Although the number of new products and services offered were restricted as a result of the market conditions, a special Three-wheel Leasing package was launched during the year.

PROCESS IMPROVEMENTS MADE IN 2020/21

- Revision of credit underwriting to be on par with commercial banks
- Grading of branches based on operational efficiencies
- Re-engineered credit approval process to be completed within one working day
- Flexible pricing of loans depending on customers cash flow and perceived assets

MARKET SHARE

The latter half of the year under review saw conditions normalising as the Company consolidated its strategy. The Company opened its loan books with the expectation of building a profitable portfolio. With the consolidation strategy yielding expected results, strategies are now being amended to increase the market share during 2021/22.

INTELLECTUAL CAPITAL

Our Intellectual Capital consists of our brand, our human capital, IT systems and processes, tacit knowledge, governance structures – all of which help us meet expectations of our stakeholders and enhance brand value.

MANAGEMENT APPROACH

The quality of our Intellectual Capital sets us apart from the rest of the industry and gives us a winning edge. We ensure ethical operations and strong governance structures and do not indulge in any anti-competitive behaviour or bribery and corruption.

TACIT KNOWLEDGE

Our Human Capital is a key component of Intellectual Capital and plays a key role in creating value. In order to enhance the quality of tacit knowledge the Company invests in training and development in all areas of the business to ensure our team of employees is able to offer industry-best customer services. The Board of Directors and Senior Management hold a wealth of diverse industry experience between them which helps to ensure the Company operates as a responsible corporate citizen.

IT SYSTEMS AND PROCESSES

Orient Finance PLC continued its digital transformation process during the 2020/21 financial year by focusing on enhancing various IT functions across the Company in order to deliver a better service to clients and other stakeholders. The Company was able to successfully carry out selected projects enabling it to reallocate and re-provision the IT resources more efficiently to improve IT infrastructure and services.

The forward-looking processes implemented over the last couple of years were put into good use during the COVID-19 pandemic, where the Company was able to transfer and enable its employees to work remotely from home within a very short span of time. This included the overall core operations of the Company, support functions and the call centre operations. This enabled the Company to provide its customers with the required services even during the height of the pandemic.

Another key highlight was the commencement of the implementation of a Core IT system encompassing the overall end-to-end business operations of the Company. Once fully deployed, it will provide the customers with multiple ways to interact with the Company using devices such as smartphones and tablets, allowing them to carry out their business transactions on the go in a convenient, secure manner without having the need to visit a branch. The system will also introduce re-engineered business processes, where the overall turnaround times of business operations would improve significantly. The Company expects to complete the project during the year 2022.

IT infrastructure, systems and processes were also introduced during the period to reduce the usage of paper within the Company and thereby the operations to be more environmentally friendly.

DATA SECURITY

There is a growing trend in the world today where IT infrastructure of organisations across different industries comes under attack that can result in loss in productivity, reputation and revenue. As a result, in order to counter this threat, the Company has taken various steps to enhance its IT security capabilities with the aim of better protecting the IT infrastructure from attacks from external parties. The enhancement of the IT Security aspect is an ongoing and continuous exercise where updated security mechanisms are needed to be introduced in the evolving IT security threat landscape.

In keeping with this emphasis on security, the Disaster Recovery (DR) site of the Company was further upgraded with the introduction of latest technologies in order to enhance on scalability and robustness.

INNOVATION

During the year 2021/22, Orient Finance PLC will be focused on expanding the product range that would attract new customer segments. The product range would be extended versions of the traditional finance leasing offerings and a mix of operating leasing products. Certain products that had previously been tested and deemed successful would also be revamped with new features.

WAY FORWARD

Going ahead, we will remain focused on enhancing brand value and visibility by investing in systems and processes that add value to our reputation and improve stability of the Company. The manner in which the Company navigated the pandemic year by turning into a profitability entity reflects the robust systems and processes existing in-house. Our pursuit of sustainable profitability and growth will continue to drive our Intellectual Capital.

HUMAN CAPITAL

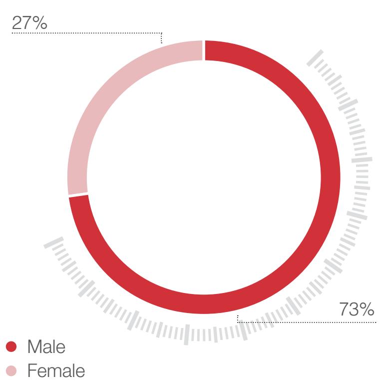
MANAGEMENT APPROACH

The Company has adopted a highly efficient employee management system focused on performance which is comprehensively monitored to ensure fairness and transparency. Employees are rewarded for exceptional performance while the ones who under-performed are counselled, and any skill gaps were filled to ensure they have the necessary skills and support to reach their targets. The Company provides competitive remuneration with further incentives for those employees who show outstanding initiatives. During the year under review, the Company adopted stringent hygiene and safety standards in line with COVID-19 health protocols.

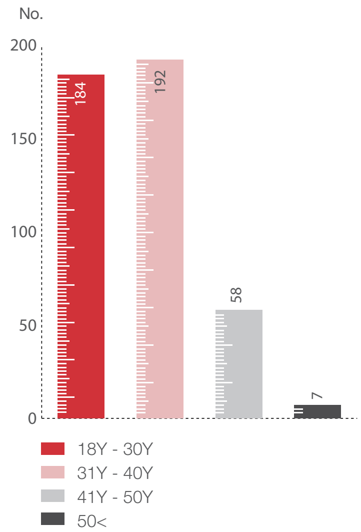
TALENT ACQUISITION & RETENTION

OFP took many measures to lower the attrition and improve on the recruitment of the right talent as well towards the retention of the recruited staff. Many welfare related activities were started and social media was used very effectively in taking messages through to the world. Through various uses of tools such as key words, etc. target groups were attracted through online platforms which seems to be a way of life for the younger generation. OFP tried to ensure that the workplace was an enjoyable one and an appreciative one. Achievement celebrations and team motivational programmes, etc. helped in achieving the success level we enjoy today.

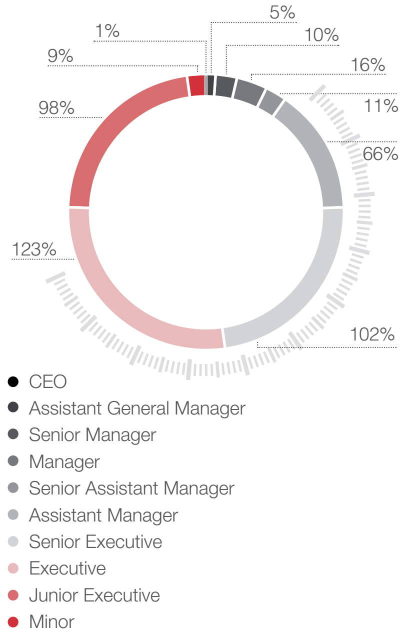
Gender Classification



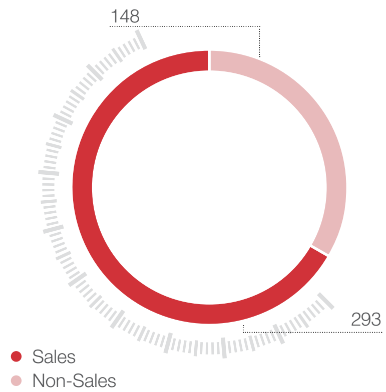
Employee Breakdown by Services



Cardre Analysis



Sales and Non-Sales



DIVERSITY & INCLUSION

OFP respects all genders, religions, races, etc. We are a model equal employment provider. We have a diverse workforce from all walks of life, and we take pride in calling them our employees.

LEARNING & DEVELOPMENT

A Learning Management Software (LMS) was introduced and all trainings were routed through this system. The system covers every angle of training from self-learning to testing knowledge online. Apart from Technical Training (Internal), the training also covers Credit, Administration, Operations, Audit, Legal, Recovery, Cashiering, Reading Financial Statements, Anti-Money Laundering, Customer Care in the new normal etc. In recent months, the training was augmented with sessions on why customer service is important during the pandemic and how to cope with work in the new normal. In view of the social distancing requirements, most of the training was conducted online.

As for employee productivity measurements and improvement tools, the Company's main focus is on 'Management by Objective' strategies, clear-cut goals and Key Performance Indicators (KPIs), given to staff at all levels. Based on these, all performance is measured and evaluated. This clearly indicates the productivity levels of each individual. The management believes that 'what gets measured gets delivered'.

EMPLOYEE ENGAGEMENT

Lockdowns, curfews and mobility restrictions that prevailed during the year made it difficult to bring employees to a single physical location, however, the Senior Management made regional visits and conducted sessions on the importance of teamwork at the branch and inter-department levels. At every meeting of the CEO/Management with staff, whether online or offline, the importance of teamwork was emphasised. A series of activities are planned for the next financial year to enhance employee engagement.

EMPLOYEE BENEFITS

Due to the ongoing pandemic, many companies failed to pay salaries and in retaining employees during the past year. However, at Orient Finance not only did we not reduce salaries, but we also paid a bonus at the end of the financial year. We managed to keep our head above the water because of the commitment of our staff and not only did we survive but made a profit as well.

WORK-LIFE BALANCE

The wellbeing of employees is a foremost priority and therefore, we strictly adhere to the labour laws of the country and all legislations that specify employee related benefits. Further, all employees are expected to use their leave on mutual agreement with the Company and all safety related guidelines are mandatory to follow across the Company.

REWARDS & RECOGNITION

A very comprehensive rewards system is available for performers. With this system, if any employee performs above their target, they will be rewarded. It is a very straightforward system and easily accessible by all. This will be developed into a profit-based scheme for the next financial year and bring unlimited income for those who fulfil the criteria. This scheme focuses on a team rather than an individual.

During the year under review, staff was felicitated for individual and team contributions and their achievements were celebrated and linked to the rewards systems. Events on a small scale were organised to appreciate the achievements of staff where they were rewarded in monetary and non-monetary terms.

FUTURE OUTLOOK

The human capital management approach in the Company reflects the commitment of the Company to engendering a knowledge-based culture where staff is recognised and rewarded for performance. The investments in training and development are further helping to create a sense of professionalism and confidence as a 'future ready' team ready to face any challenge.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

Irrespective of the challenging nature of the year under review, Orient Finance managed to ensure that its clientele was uplifted from micro and small enterprises to the SME sector. Further, the new clients garnered during the last two quarters of the year mainly consisted of the higher middle-class income-earners, which indicated a positive shift towards the expected direction.

CUSTOMER BASE

The strategies implemented in 2019/20 were delivering the expected results during the second two quarters of the 2020/21. The Company is gradually moving from the Indian vehicle leasing segment to the Japanese vehicle segment with a shift in customer base to middle and upper middle from the low income segments.

SALES PROMOTIONS

During the year under review, notwithstanding the unfavourable operating conditions, a few leasing promotions were conducted at Toyota Lanka Wattala, Nagoya Motors, Mitsubishi, Uvindu Auto Mart and several other dealers with the view to increasing business volumes and raising brand awareness, while offering customers a wider choice of unique and convenient leasing packages. The Company conducted several yard promotions at its yard premises at Welisara to sell off existing vehicles, which saw great success.

Despite the immense challenges faced by Orient Finance due to the adverse economic conditions, the Company managed to establish partnerships with 'Riyasakwala' for promoting registered three-wheelers. Strong tri-part bonding was sustained between its Customer Base, Insurance Companies and the Company in providing a bundled offering.

Further, a special MoU was signed between Orient Finance PLC and David Pieris Automobile on 03rd February 2021, to offer special three-wheeler leasing packages to Riyasakwala and Orient Finance customers. The MoU enabled to provide a good quality three-wheeler for the lower income earners at a reasonable price and a reasonable repayment scheme, identifying the social responsibility of uplifting the lifestyles of the low income earning category.

CUSTOMER GRIEVANCE HANDLING

The Company provides its customers with a diverse selection of channels to communicate their inquiries and concerns for an enhanced customer experience. All complaints are documented and handled in compliance with the existing guidelines and then escalated to relevant managers for necessary action and speedy resolution.

CUSTOMER COMMUNICATION

The Company uses its corporate website, social media accounts, press advertising, SMS and email announcements to continuously raise awareness among customers about existing and new products and services and the benefits they can enjoy.

CUSTOMER PRIVACY

Orient Finance maintains strict security of client account information and other personal data. To safeguard customer privacy, we have a stringent verification processes in place prior to processing transactions.

CORPORATE SOCIAL RESPONSIBILITY

Since inception, we have taken our duty towards the community seriously and strived to be an exemplary corporate citizen. Our community support initiatives over the years have been two-fold devising unique products and services to offer multiple benefits to customers while engaging with local communities to see where we can have the most impact.

During 2020/21, Orient Finance donated 30 road signboards to the Mirihana Police division to reduce the traffic in the area.

Orient Finance also arranged a blood donation campaign through its sports and welfare club during April 2021, considering the high demand for blood during this period. All the employees participated with enthusiasm.

Supporting the national game of cricket, Orient Finance stepped forward as the proud sponsors of Jaffna Stallions, who won the championship in the SPL cricket tournament. The Company's support to the cricket franchise has helped discover fresh cricketing talent while boosting the sport.

NATURAL CAPITAL

Climate change and global warming are all pervasive threats as frequent natural disasters demonstrate the harmful effects of ignoring these important factors in determining the future of the planet. The future of our planet depends on sustainable consumption of natural resources.

MANAGEMENT APPROACH

As a Company engaged in financial services and due to the nature of our business, we do not release any significant effluents or spills nor do we encounter any issues pertaining to the transportation of hazardous waste. Our business operations or business locations do not affect water bodies or related habitats.

GREENING OUR FOOTPRINT

The Company is committed to the process of transforming to business model that reduces its carbon footprint through new system implementation to bring about a paperless work environment.

Since vehicle leasing being our core business, we understand that environmental sustainability is a non-negotiable issue. This is the reason we promote leasing of hybrid and electric vehicles which emit low emissions and are high in fuel efficiency.

We are also accelerating investment in digital technologies such that customers are promoted to online platforms for depositing monthly loan rentals without having to visit the branches, thereby reducing the carbon footprint.

As a carbon conscious corporate OFP is committed to find ways in which we could be a responsible financial solutions provider and awareness is being raised amongst employees to be conscious of consumption of resources.

WASTE MANAGEMENT

The Company is moving towards becoming a paperless organisation by minimising the use of paper and simultaneously enhancing digital platforms.

The Company has implemented paper waste management system with recycling arrangement so that the third party recycler collects all paper waste periodically to be recycled. Green Links Lanka is our recycling partner for proper disposal of E-waste and paper to ensure the waste does not end up in landfills.

A transparent DMS system has been implemented to the credit evaluation process to reduce paper and physical file sharing across the branch network.

WATER

OFP considers water to be a precious resource and regular checks are conducted on water consumption and any water leakages are repaired swiftly to reduce wastage. The branch network uses low flow system in toilets and wash rooms to optimise water usage.

ENERGY

The Company is dependent on the national grid for its electricity supply. Employees are encouraged to switch off electronic appliances when not in use and low consumption and energy efficient LED bulbs have been used across our branch network. OFP has replaced all conventional air conditioners with inverter air conditioner under 22,000 and 36,000 BTU capacities and regularly maintains services to minimise any gas leakages throughout the branch network.

FUTURE OUTLOOK

Sustainability can be used as a strategic opportunity to adopt increasingly energy efficiency in a resource constrained world. While striving towards a carbon neutral journey, OFP will ensure environmental sustainability.

STEWARDSHIP

BOARD OF DIRECTORS

1 2 3 4

1. Mr. Anil Tittawella
Chairman/Independent Non-Executive Director

2. Mr. Prakash Schaffter
Non-Independent Non-Executive Director

3. Mr. Ramesh Schaffter
Non-Independent Non-Executive Director

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

5 6 7 8

Ms. Minette Perera
Non-Independent Non-Executive Director

Mr. Sriyan Cooray
Independent Non-Executive Director

Ms. Indrani Goonesekera
Independent Non-Executive Director

Mr. Darshana Ratnayake
Independent Non-Executive Director

BOARD OF DIRECTORS

MR. ANIL TITTAWELLA

Chairman/Independent Non-Executive Director

Mr. Anil Tittawella is a lawyer with an extensive and wide professional career. His expertise lies in civil and commercial law litigation, negotiation, mediation, legal documentation, mergers and acquisitions, corporate law and legal due diligence. He has a variety of clients drawn from a diverse range of jurisdictions such as Pakistan, South Korea, Hong Kong, Sweden, UAE, Thailand, Singapore, England, USA, India, Mauritius, New Zealand and Switzerland. Previously, Mr. Tittawella was 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 devise the new Arbitration Act of Sri Lanka (1994-1997). He was the Legal Consultant to the Airport and Civil Aviation Authority of Sri Lanka (1994-1997) and a founding member of the Institute of Commercial Law and Practice in Sri Lanka (1995). Mr. Tittawella was also a commissioning member of the Securities and Exchange Commission of Sri Lanka from 2000 to 2002 and a Member of the Insurance Board of Sri Lanka from 2001 to 2002. Currently, 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 admitted to the bar in 1985 and was subsequently appointed President's Counsel in 2005 and holds Solicitors (final) Examination of the Law Society of the United Kingdom. He also holds a Master in Law (Hons) from the University of Waikato, New Zealand.

MR. PRAKASH SCHAFFTER

Non-Independent Non-Executive Director

Mr. Prakash Schaffter is the Deputy Chairman / Chief Executive Officer of Janashakthi Limited, the parent company of Orient Finance PLC. He is a graduate of Cambridge University and has over three decades of managerial and financial experience in both Sri Lanka and the United Kingdom.

Over the course of his tenure of leadership as the Executive Chairman of Janashakthi Insurance PLC., he has led Janashakthi through a growth phase that saw Janashakthi become the third largest Non-Life Insurer. He was instrumental in acquiring the Non-Life segment of AIA Insurance Lanka in 2015 and also led the divestment project of Janashakthi's Non-Life segment in 2018.

Mr. Schaffter is a former President of the Insurance Association of Sri Lanka, and continues to impact the business sector through his membership on the council of the Sri Lanka Institute of Directors (SLID). He served on the Boards of several listed and unlisted entities including the Bank of Ceylon and has been amongst the youngest Fellow Members of the Chartered Insurance Institute. He has also served as President of the Young Presidents Organisation of Sri Lanka.

A former first-class cricketer, he represented both the University of Cambridge and London University during his cricketing career. He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

MR. RAMESH SCHAFFTER

Non-Independent Non-Executive Director

Counting over three decades of experience in Finance & Marketing, Mr. Ramesh Schaffter is a Fellow Member and former Council Member of the Chartered Institute of Management Accountants, Sri Lanka, and an Associate Member of the Chartered Institute of Marketing. He has served on the Boards of several public listed and unlisted companies. His primary role is the Managing Director and Group Chief Executive Officer of Janashakthi Limited, the ultimate parent company of Orient Finance PLC.

A social entrepreneur and life coach, he is an accomplished public speaker and a multiple award winner at national and international level Toastmasters' contests. He is the former President of Habitat for Humanity Sri Lanka and a former Board Member of World Vision Sri Lanka. He is a Co-Founder of cable television channel Swarga TV.

Mr. Schaffter also serves on the Council of the Colombo Theological Seminary, a graduate and postgraduate educational institute and is a former Chairman of the Incorporated trustees of the Church of Ceylon.

Currently he also serves as a Board member of Janashakthi Insurance PLC, Janashakthi Limited, First Capital Holdings PLC, Kelsey Developments PLC, Serendib Land PLC, Sri Lanka Technology Incubator (Pvt) Limited and several other unlisted entities.

MR. K. M. M. JABIR

Chief Executive Officer/Executive Director

Mr. Jabir was appointed as the Chief Executive Officer of Orient Finance PLC on 1st November 2019 and as a Executive Director 26th November 2019.

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

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

Mr. Jabir has a 36 years of experience in the Banking and Finance Industry.

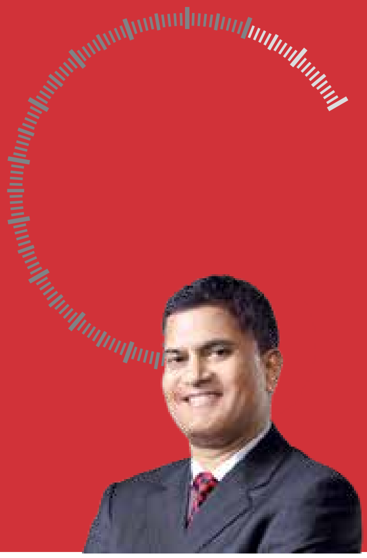
MS. MINETTE PERERA

Non-Independent Non-Executive Director

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

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

BOARD OF DIRECTORS



MR. SRIYAN COORAY

Independent Non-Executive Director

Mr. Sriyan Cooray currently serves as an Independent Non-Executive Director on the Board of National Development Bank PLC and was appointed as the Chairman of the Board Integrated Risk Management Committee and also serves on the Audit Committee, Strategic Issues Committee and Related Party Transaction Review Committee. He is a Fellow Member of the Chartered Institute of Management Accountants, UK. An accomplished banker with 28 years of experience at HSBC.

Mr. Cooray has served in a wide range of areas ranging from Finance, Operations, Compliance, Administration and Retail Banking at HSBC and retired from HSBC – Sri Lanka and Maldives as the Chief Operating Officer in May 2018. Whilst at HSBC, Mr. Cooray has also served on its Executive Committee for 25 years, a member of the Board of Trustees of the HSBC Provident and Pension Fund and served on many internal committees of HSBC including the Assets and Liabilities Committee, Human Resource Policy Review Committee, HSBC's IT Steering Committee and Chaired the Management Committee which comprised the bank's second tier management.

Mr. Cooray acted as the Bank's CEO on numerous occasions in the last 15 years of his banking career with HSBC. He has gained a wealth of expertise from the widespread executive development offered by the HSBC Group. From an industry perspective, he Chaired the industry level Banking Technical Advisory Committee in 2015/2016 as a Sub-Committee of the Sri Lanka Bankers Association. Prior to joining HSBC, Mr. Cooray has also been a part of Speville M & W Ltd, in the capacity of Financial Controller from 1987 – 1990 and prior to that he was engaged with KPMG Ford Rhodes Thornton & Company, Chartered Accountants. Mr. Cooray represented Sri Lanka in rugby.

MS. INDRANI GOONESEKERA

Independent Non-Executive Director

Ms. Indrani Goonesekera is a Legal Consultant. She was the former Head of Legal of the Hatton National Bank PLC a leading licensed commercial bank and a company listed on the Colombo Stock Exchange. She has served on the Bank's Corporate Management for over 15 years and has functioned in the post of Deputy General Manager (Legal) for over 11 years, being overall responsible for advising and guiding the Bank on all legal aspects of the banking business and other operations. In addition to the post of Deputy General Manager (Legal), she was also the Board Secretary of the Bank responsible inter alia for advising and guiding the Board in complying with all laws, rules, regulations procedures applicable to the Bank as an incorporated company, as a Licensed Commercial Bank by the Monetary Board of the

Central Bank of Sri Lanka and as a Company listed on the Colombo Stock Exchange. She was also the Advisor to the Chairman of the Board of Directors of the Bank for a brief period. She has had a wide exposure to Banking and Finance, Corporate, Business and Commercial sectors. She commenced her professional career as a Junior Counsel in the Chambers of Mr. K N Choksy, President's Counsel, after reading at the Chamber as an apprentice.

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

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

MR. DARSHANA RATNAYAKE

Independent Non-Executive Director

Mr. Darshana Ratnayake possesses over 3l years of experience as a Banker of which the last 7 years was as a member of the Corporate Management of two banks namely, NDB Bank and Cargills Bank. His immediate past appointment had been as the Chief Commercial Officer of Cargills Bank where he headed the SME and Retail Banking portfolios as well as the marketing aspects of the Bank. Prior to that he had been at Senior Management level for 3 years.

Mr. Ratnayake possesses a Certificate in Finance from the Institute of Financial Services, UK, MBA from the University of Wales, UK & Certificate in SME Lending from Omega Institute, IFC.

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

MANAGEMENT TEAM

Standing Left to Right

• Nuwan Nilantha - Senior Manager – Treasury • K. M. M. Jabir - CEO/Director
• Chatura Kulatilaka - Head of Information Communication Technology
• Gayani Godellawatta - Head of Risk and Compliance • Priyan Jayakody - Chief Internal Auditor

Standing Left to Right

• Sanjeeva Jayasinghe - Head of Finance • Dhanuka Tharanga Perera - AGM - Gold Loan
• Saminda Ratnayake - Head of Channels • Fathima Fazmin Ahamad - Senior Manager – Legal
• Hilary Calistus Nanayakkara - Head of Recoveries • Prasadi Perera - AGM - Operations
• Pussewelage Prabath Sri De Silva - Head of Credit Administration & Operations

CORPORATE GOVERNANCE

Corporate Governance refers to the structures and processes that are established by a company for the direction and control of the organisation. It concerns the stewardship provided by the Board, relationship between the Board of Directors, Shareholders, management and other stakeholders. A strong corporate culture and ethics are vital for the survival and profitability of an organisation in a highly competitive market. Essentially, the business operations of Orient Finance, as a Licensed Finance Company, is based on trust and confidence placed by the public on the Company. Therefore, sound Corporate Governance practices have been put in place at Orient Finance to achieve its objectives while complying with statutory rules and regulations.

The Governance structure at Orient Finance is driven by the Board of Directors who set the tone at the top. The Board approves the strategy and set the corporate values and determines the risk appetite of the Company. It ensures that the Company operates within the regulatory framework and applicable laws and legislation and that appropriate internal controls are in place to comply with the regulations.

The Governance Framework at Orient Finance is driven by Board approved policies and procedures which are in place governing all aspects of operations. These policies ensure the compliance of the organization with applicable laws and regulations.

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

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

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

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

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

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

Reference to CBSL regulation/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 PLC is headed by a well experienced and eminent Board of Directors who provides direction and leadership to the Company and guides its activities.
Responsibilities of the Board			
Code A.1.2, CBSL 2.1 (a), (b)	The Board should be responsible for ensuring the formulation and implementation of a sound business strategy, values and risk management procedures and communicating same throughout the organization.	Complied	A sound business strategy has been put in place by the Board which guides the Company to success and reach the goals and targets set. The Board has also approved Corporate Values and risk management policies, which have been communicated to all staff by hosting on the Company's intranet.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Code A 1.2 CBSL 2.1 (c), (e)	Identify risks and ensure implementation of appropriate systems by the Board of Directors, review adequacy of the internal control systems and the management information system	Complied	The Company has in place a Board approved Risk Management Policy. The Integrated Risk Management Committee and Board Audit Committee have been established to ensure risk management and integrity of information systems and internal controls. Effective internal controls have been implemented by the Company. Further, effectiveness of such systems is monitored by the Board through the IRMC, internal and external auditors and independent expert consultants where necessary and improvements are implemented accordingly.
CBSL 2.1 (d)	Approving a policy of communication with the stakeholders.	Complied	A Stakeholder Communication Policy has been approved by the Board and implemented for appropriate communication with different stakeholder groups. The Company maintains a website and periodically issues press releases. Communications from stakeholders are promptly attended to.
Code A 1.2 CBSL 2.1 (f), (g), (h)	Proper delegation of authority to the Key Management Personnel (KMP).	Complied	The Board has identified and designated Key Management Personnel who are in a position to carry out the Company's operations and risk management processes. The KMPs' job roles and areas of authority have been defined in order to enable effective oversight of the affairs of the Company within the strategic objectives of the Company.
CBSL 2.1(i)	Periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel;(ii) the management of conflicts of interest; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied	(i) The section, nomination and election of directors and appointment of Key management personnel are overlooked by the Nomination Committee. (ii) Directors and key management personnel disclose their … in order to effectively manage the conflicts of interest. (iii)Governance policies are reviewed and changes implemented when weaknesses are observed and as and when necessary.
CBSL 2.1 (j)	Adoption of an effective Succession Plan for Key Management Personnel.	Complied	A Board approved succession plan is in place for key management positions.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 2.1 (k)	Meeting regularly with key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives	Complied	The Board interacts regularly with the management in order to execute and review policies and to ensure corporate objectives are met.
CBSL 2.1 (l),(m)	Understanding 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 on regulatory developments and changes to regulations and implications. The Board Audit Committee exercises due diligence in hiring and oversight of External Auditors.
CBSL 2.2	The board to appoint the Chairman and the Chief Executive Officer (CEO)	Complied	The Board of Directors has appointed the Chairman and the CEO to Orient Finance PLC to provide direction and leadership to the Company.
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	Board approved "Policy on Seeking Independent Professional advice by Board of Directors" is in place. Board members are allowed to obtain independent professional advice as and when necessary at the expense of the Company.
CBSL 2.4	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	Directors declare their interests in matters in which they have any interest and abstain from participating in the discussion.
CBSL 2.5	The Board shall have a formal schedule of matters specially reserved to it for 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 for decision making to ensure that the direction and control is firmly under its authority. Documented guidelines are in place regarding the "Matters Reserved for the Board of Directors".
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.	N/A	Their requirement has not arisen so far. It has been noted by the Board for compliance if the need arises.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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. Please refer pages from 42 to 60 External auditor's certification on internal controls has been obtained.
CBSL 2.8 Code A.9	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually and maintain records of such assessment.	Complied	The directors undertake a self assessment annually, which is filed with the Company Secretary.
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 are scheduled every month and any additional meeting are also called as and when required.
CBSL 3.2	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings.	Complied	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 their duties and responsibilities are satisfactorily discharged.
CBSL 3.3 Code A.6.2	A notice of at least 07 days shall be given for a regular Board meeting.	Complied	Sufficient notice has been given to the Board Members, to ensure all Directors have 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	Directors have regularly attended Board Meetings. Attendance of each Director at the Board meetings has been disclosed at the end of this report (page 60).

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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	KHL Corporate Services Limited has been appointed as the Company Secretary to carry out the company secretariat function.
CBSL 3.6	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied	The Company 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	The directors have access the service of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are duly complied.
CBSL 3.8	The Company Secretary shall maintain the Minutes of Board meetings and such Minutes shall be open for inspection at any reasonable time on reasonable notice by any director.	Complied	Minutes of Board Meetings are maintained by the Company Secretary. The Board Minutes are available for inspection by any director as and when required.
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 with 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" (pages 36 to 39)
CBSL 4.1	Number of Directors should not be less than 05 and not more than 13.	Complied	There are 8 directors on the Board.
CBSL 4.2	Total period of service of a Director should not exceed 09 years.	Complied	There are no Directors on the Board who has been a director of 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	This requirement is met. There are 7 non-executive directors and 1 executive director on the Board.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 4.4 Code A.5.2	Number of Independent Non-executive Directors of the Board shall be at least one fourth of the total number of Directors.	Complied	Four out of Eight Directors are Independent non-executive Directors. The composition of the Board is set out in pages 36 to 39 in this Annual Report.
CSE 7.10.2b Code A.5.4	Each Independent Directors shall submit a declaration of his/her independence against the specified criteria	Complied	Each Independent Director submits an annual declaration which is filed with the Company Secretaries.
CSE 7.10.3 Code A 5.5	The Board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be independent	Complied	The Board makes a decision as to the independence of each director based on the declaration submitted. The details of directors are included in pages 36 to 39 of this report.
CBSL 4.5 Code A.5.6	An alternative director appointed to represent an independent non-executive director should meet with the criteria for independent non-executive directors	Complied	All applicable rules and regulations are complied with in appointing alternate directors.
CBSL 4.6	Non-executive directors shall have necessary skills, qualifications and experience to bring an objective judgment to bear on issues of strategy, performance and resources	Complied	All non-executive directors are professionally qualified and possess adequate skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources. The profiles of the directors are given in pages 36 to 39.
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 consists of members with necessary financial acumen and professional qualifications and experience in Banking, Accounting and related disciplines. Please refer Directors' Profile" on pages 36 to 39 in this annual report.
CBSL 4.9 Code A.7, A.7.1, A.7.2	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Complied	Appointment of new directors to the Board are reviewed and recommended by the Nominations Committee, which consists of a majority of independent directors. The existing directors collectively decide on new members.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 4.8	The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report	Complied	The details of directors are included in pages 36 to 39 of this annual report
CBSL 4.10	All directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after the appointment	Complied	Duly complied
CBSL 4.11	The Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institution if the Central Bank of Sri Lanka, regarding the resignation or removal of directors with the reasons and the relevant director's disagreement with the board	Complied	Duly complied
Criteria to assess the fitness and propriety of directors			
CBSL 5.1	A director who attains the age of 70 years on or after 18 June 2020, shall continue in his office as director, subject to the approval of the Monetary Board.	Complied	No Director serving on the Board has reached the age of 70 years.
CBSL 5.2	A director shall not hold office as a Director of more than 20 companies/societies/body corporate inclusive of subsidiaries or associate companies of the finance company.	Complied	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.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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	The positions of the Chairman and the CEO are separate and performed by different individuals to ensure the balance of power and responsibility. The Chairman is a Non-Executive Director.
CBSL 7.2	The chairman should be a non-executive director	Complied	Chairman is a Non-Executive Independent Director.
CBSL 7.3	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	The name of the Chairman and the CEO are disclosed in pages 34 and 35 of this Annual Report. There is no financial, business, family or other relationship between the Chairman and the Chief Executive Officer. Mr. Prakash Schaffter and Mr. Ramesh Schaffter, non-executive Directors are siblings and are common directors of other companies. No other financial, business or family relationships exist between any other members of the Board, other than being common directors in certain companies.
CBSL 7.4 Code A.3	The Chairman shall: • provide leadership to the Board; • ensure that the board works effectively and discharges its responsibilities; and • Ensure that all key issues are discussed in a timely manner	Complied	The Chairman is a non-executive Director. 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 agenda for the Meetings are prepared in consultation with the Chairman and circulated to the Board in advance.
CBSL 7.6 Code A.6	The Chairman shall ensure that all directors are properly informed on issues arising at Board Meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	Board Papers are circulated with sufficient details prior to the meetings in order for Directors to request any other information, if necessary. Minutes of Board meetings are circularised in a timely manner.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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 at the Board Meetings and the ensuing discussions.
CBSL 7.8	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between Executive and Non- Executive Directors.	Complied	7 directors are non-executive directors which encourages active participation in discussions.
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 is not involved in executive functions or in direct supervision of 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 the Annual General Meeting and Extra Ordinary General Meetings. Moreover, Annual Reports are delivered to shareholders fifteen working days prior to the AGM in order to communicate their views effectively. The Chairman briefs the Board and the CEO regarding any issues or concerns of the shareholders.
CBSL 7.11	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the Company's operations and business.	Complied	The Chief Executive Officer functions as the 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 each financial year the Board in consultation with the CEO, sets 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 financial year against the targets that had been set at the beginning.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
Board Appointed Committees			
CBSL 8.1	Every Finance Company shall have at least two Board committees as set out in paragraphs 8 (2) and 8 (3) of these Directions. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings and maintain minutes, records, etc., under the supervision of the Chairman of the Committee. The Board shall present a report of the performance on each Committee, on their duties and roles at the Annual General Meeting.	Complied	The Board has established an Audit Committee and an Integrated Risk Management Committee as well as a Related Party Transactions Review Committee. Each Committee reports to the Board and has a designated secretary. This annual report contains reports regarding the functions of such Committees.
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 Chairperson of the Audit Committee is a Non-Executive Director and her Qualifications and experience are disclosed in page 39 of the Annual Report.
CBSL 8.2 (b)	Board members appointed to the Committee shall be Non-Executive Directors.	Complied	All Three members of the Board Audit Committee are Non-Executive Directors.
CBSL 8.2 (c)	The Committee shall make recommendations on matters in connection with: i. the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii. the implementation of the Central Bank guidelines issued to auditors from time to time; iii. the application of the relevant accounting standards; and iv. the service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of an Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied	i. The Audit Committee makes recommendations on the stated matters. A summary of the functions has been disclosed in the Audit Committee report in page 72 of the Annual Report.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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: i. an assessment of the Company's compliance with the relevant Directions-the management's internal controls over financial reporting; ii. the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and iii. the co-ordination between firms where more than one auditor is involved	Complied	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 (h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied	The committee reviewed the financial information of the company as appropriate
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 responses thereto.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 8.2 (j)	The Committee shall take the following steps with regard to the internal audit function of the Company. i. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; ii. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; iii. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department iv. Recommend any appointment or termination of the head, senior staff member and outsourced service providers to the internal audit function. v. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.	Complied	The 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. The Internal audit function is an independent function with direct reporting to the Board Audit Committee.
CBSL 8.2 (k)	The committee shall have considered major findings of internal investigations and management's response thereto	Complied	Major findings of Internal Audit reports have been placed before the Board Audit Committee.
CBSL 8.2 (l)	The Chief Financial Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the Committee shall meet with the external auditors without the Executive Directors being present.	Complied	The CFO, CIA and the CEO attend meetings of the Board Audit Committee upon invitation. The Committee met with the external auditors twice during the year at the Board Audit Committee meetings

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 8.2 (m)	The Committee shall have : (i) explicit authority to investigate into any matter within its terms of reference ;(ii) the resources which it needs to do so; (iii) full access to information ;and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied	The 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 six (06) times during the financial year.
CBSL 8.2 (o)	The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied	Details of the work of the Audit Committee are disclosed in page 72 to this Annual Report. Attendance has been disclosed at the end of this report (Page 60).
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	Head of Risk & Compliance, as the Secretary to the Committee, maintained detailed minutes of the Committee meetings.
CBSL 8.2 (q)	The Committee shall review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters. Ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow –up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	Complied	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. A Board approved Whistleblower Policy is in place.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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, Head of Finance and Head of Risk and Compliance. The Committee met six times during the year to review the risk areas in line with its terms of reference and worked closely with the Key Management Personnel with regard to identified risks.
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 kept informed of such risks on a 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 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 respective committees
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 held meetings on a quarterly basis during the year under review and has reviewed all aspects of risk management including the business continuity plans.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 8.3 (f)	The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee and /or as directed by the Director of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied	The Committee recommended and initiated action as appropriate in relation to such findings. Process improvements were recommended by the Committee in instances where such issues were observed.
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 feedback.
CBSL 8.3 (h)	The Committee shall establish a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied	The Committee has established a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. Head of Risk and Compliance carries out the compliance function and reports to the Committee periodically.
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 CBSL Regulation and 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 41 on "Related party Disclosures" in the Financial Statements.
CBSL 9.3	Transactions with related parties in relation to accommodation, deposits, borrowings and investments, providing financial or non-financial services to or from the finance company, creating or maintaining reporting lines and information flows between the finance company and any related party are to be identified as transaction with related party	Complied	All such related-party transactions are reviewed by the Board Related Party Transactions Committee

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
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 favorable 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. All related party transactions are reviewed by the Related Party Transaction Review Committee.
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 at the specified frequencies in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English languages.
CBSL 10.2	The Board shall ensure following minimum disclosures are made in the annual report.		
CBSL 10.2.a Code D.1	A statement to the effect that the annual audited Financial Statements has been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied	Relevant disclosures are included in page 78 of the annual report under "Directors Responsibility for Financial Reporting".
CBSL 10.2.b	A report by the Board on the Company's internal control mechanism that confirms that the Financial Reporting System has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied	Relevant disclosures are included in page 74 of the Annual Report under "Directors Report on the Internal Control System".
CBSL 10.2.c	The external auditor's certification on the effectiveness of the internal control mechanism referred to in Direction 10 (2) (b) above, in respect of any statements prepared or published after 31st March 2010.	Complied	The Company obtained a certification from the external auditors on the effectiveness of the Internal Control mechanism, which is at page 74 of this Report.

Reference to CBSL regulation/SEC & ICASL Code and CSE Listing Rule	Corporate Governance Principle	Status of Compliance	Extent of Compliance
CBSL 10.2.d	Details of directors including names, transactions with the finance company.	Complied	Relevant disclosures are made and included in the Annual Report page 36 to 37 under "Board of Directors".
CBSL 10.2.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 106.
CBSL 10.2.f	Total net accommodation granted to each category of Related Parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance companies capital funds.	Complied	Relevant disclosures are made in the Annual Report page 129 under Related Party Transactions.
CBSL 10.2.g	The aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Company.	Complied	Relevant disclosures are made in the Annual Report page 129 .
CBSL 10.2.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 78 under "Directors Responsibility Statement"
CBSL 10.2.i	A statement of the regulatory and supervisory concerns on lapses in the finance Company's risk management, or non-compliance with these Directions that have been pointed out by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Complied	There were no significant supervisory concerns on lapses in the Company'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 the Monetary Board to be disclosed to the public.
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 included in Page 78 of this annual report contained the Directors' Responsibilities while the Auditors Responsibilities have been explained in the Auditors' Report in page 79.
Code D.1.4	The Annual Report should contain a "Management Discussion and Analysis".	Complied	Refer page 22 to 32 for the Management Discussion and Analysis.

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

Notes :

** Dr. D.C. Jayasuriya P.C. resigned from his position as Director and Chairman with effect from 23rd June 2020.*

*** Mr. Anil Tittawella was appointed as the Chairman of the company on 23rd June 2020.*

RISK MANAGEMENT

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

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

The Board assumes overall responsibility for the management of risk and for reviewing the effectiveness of internal control processes. Risk Appetite is translated and cascaded to different business activities both quantitatively and qualitatively. We thus aim to deliver superior value to all our stakeholders while achieving an appropriate trade-off between risk and returns. Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being addressed and all information to be disclosed is reported to the senior management and the Board as appropriate.

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

The 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 bring a systematic, disciplined approach to evaluate and improve the effectiveness of operational controls, governance processes and Risk Management.

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

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

The ALCO is a management committee which is responsible for the asset-liability management and market risk management. The ALCO consists of the CEO, as the Chairman, and the key officials of the Company.

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

Risk management at Orient Finance takes place at three broad levels as follows:

STRATEGIC LEVEL

At the Strategic Level, risk management function is overseen by the Board of Directors and the Integrated Risk Management Committee (IRMC).

Tasks include defining risks, ascertaining risk appetite, formulating strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within the risk appetite.

MANAGEMENT LEVEL

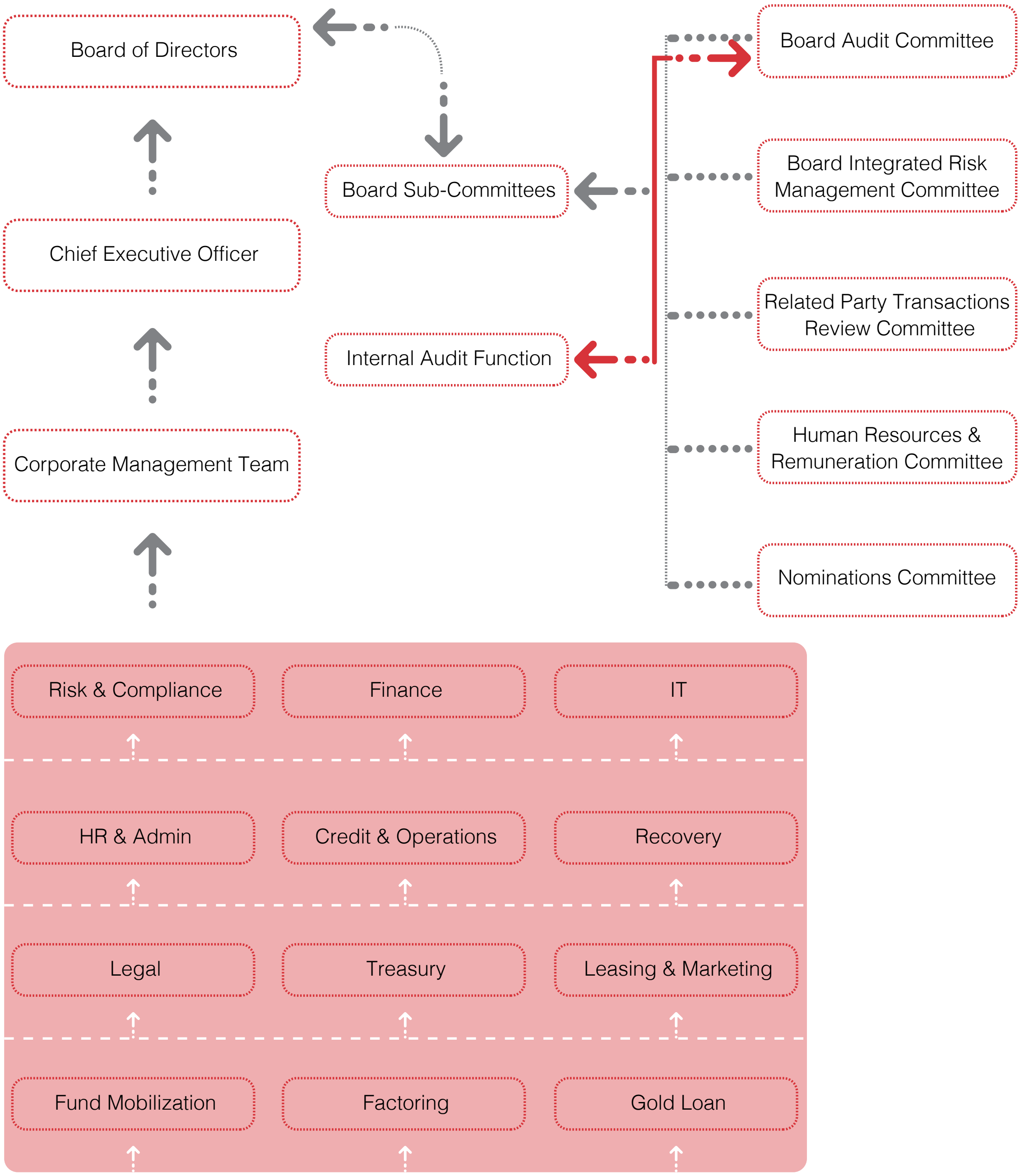
At the Management Level, risk management within business areas or across business lines ensure that strategies, policies and directives approved at the strategic level are operationalised.

Development and implementation of underlying procedures, processes and controls are ensured at the management level. Assuring compliance with laid down policies, procedures and controls, and reviewing the outcome of operations and measuring and analysing risk related information are also performed at this level.

OPERATIONAL LEVEL

At the Operational Level, risk management activities are performed by individuals who take risks on the Company's behalf, which includes front, middle and back office personnel.

They are required to comply with approved policies, procedures and controls. Operational Level personnel provide valuable inputs to continuously improve risk related activities undertaken in day-to-day operations.


Board of Directors
Chief Executive Officer
Corporate Management Team
Board Sub-Committees
Internal Audit Function
Board Audit Committee
Board Integrated Risk Management Committee
Related Party Transactions Review Committee
Human Resources & Remuneration Committee
Nominations Committee
Risk & Compliance
Finance
IT
HR & Admin
Credit & Operations
Recovery
Legal
Treasury
Leasing & Marketing
Fund Mobilization
Factoring
Gold Loan

TYPES OF RISKS

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

CREDIT RISK

Credit Risk is the risk of potential loss stemming from the failure of clients or counterparties to meet their financial obligations to the Company as they fall due. The Company's credit risk arises mainly from different types of accommodation 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. A Board approved Credit Policy manual is in place to guide the business units. Special attention is given to Credit Risk Management in terms of analysing customer credit worthiness through rigorous customer evaluations before credit facilities are granted and review of the repayments thereafter. The 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. 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 on delegation of lending authority, client selection and due diligence in line with the Company's risk appetite.

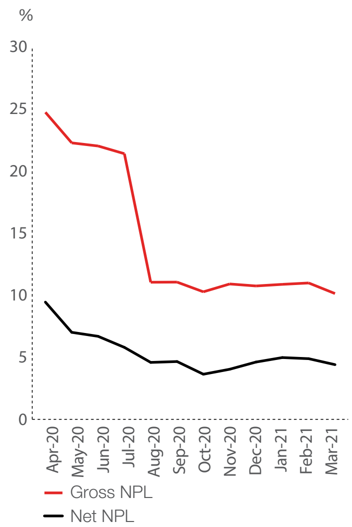
The Covid-19 pandemic situation and the intermittent lock-downs that … during the year affected our customers and the repayments. This situation posed challenges to managing the over the risk of the Company.

Credit Risk Based on Asset Quality

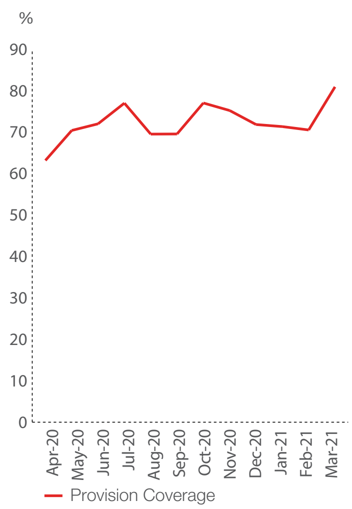
The non-performing loans ratio is a salient measure of the asset quality. Non-performing loans ratio is monitored on a regular basis at branch level, regional level and Company-wide level under the different product categories.

Company managed the NPL ratio within an acceptable level of 10.43% (Gross) as at 31 March 2021 whilst the industry NPL was more than 15%. arrears age of zero to 6 months collection ration stood at 48.93%. Reducing the yard stocks from Rs…. To Rs….. were given special consideration to reducing NPLs during the Financial year under review.

Gross NPL and Net NPL Analysis



Provision Coverage Analyse



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 as well as the Company's performance.

Portfolio delinquency and loan impairments as well as portfolio quality are constantly monitored by the Recoveries Department.

Credit Risk based on concentration or 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 this could lead to 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 unfavorable impact from one segment may be set off by the positive movement of the other.

Product Concentration

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

MARKET RISK

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

RISK MANAGEMENT

The Company has implemented Gold loan lending strategy to determine advance offered per gold Sovereign and adjusted in line with the gold market prices

Gold Market Price Vs maximum advance value

Since the Company's operations involve granting of accommodation, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for 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 maintaining 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 the Company does not have enough financial resources to meet its obligations 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 installments 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 to the liquidity of the Company as it provides critical defense against this and several other risks such as reputation, compliance, and financial risks. The Company also 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. 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 as well as the IRMC meetings. The pricing of deposits is done in a way to control the maturity mismatches between our lending and borrowing portfolios.

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 oversees 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.

The extensive use of technology and the work-from home activities heightened the operational risk for the Company. These risks were monitored managed through increased scrutiny.

HUMAN RESOURCE RISK

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

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

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

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

TECHNOLOGY RISK

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

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

Special attention has been given for the risk related to the possibility of cyber attacks.

Business continuity plans has been established recognising the threats and risks that 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 the 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.

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 memoranda to the relevant staff members.

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

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

RISK MANAGEMENT IN VIEW OF THE COVID-19 CRISIS

The on-set of the Covid-19 pandemic required the implementation of a Business Continuity Plan (BCP) devised to suit the risks emerging from the situation. Since the country was in a lock-down situation, the Corporate Management Team swiftly implemented a BCP. Work-from-home arrangements were provided for all key staff and remote working was implemented with the management making use of technology for day-to-day work as well as conducting meetings. The lock-down situation and the closure of branches impacted the normal business operations of the Company. The moratorium announced by the Government impacted the income and liquidity the most. The Management, led by the Board, immediately implemented cost saving measures as well as strategies to manage liquidity and earnings risk.

During this period, Default Credit Risk was high due to the environment that prevailed. Measures were implemented to contain the Default Credit Risk, Liquidity Risk and Operational Risks that arose during the period.

INDEPENDENT ASSURANCE REPORT

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Colombo 02
Sri Lanka

TO THE BOARD OF DIRECTORS OF ORIENT FINANCE PLC

INTRODUCTION

We were engaged by the Board of Directors of Orient Finance PLC ("the company") to provide assurance on the Directors' Statement on Internal Control ("the Statement") over financial reporting of the company included in the annual report for the year ended 31st March 2021.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement as required by section 10 (2) (b) of Finance Companies (Corporate Governance) Direction, No.3 of 2008 and Corporate Governance – Amendment Direction, No.06 of 2013. In the absence of specific detail guidelines with respect of preparation and presentation of the Statement for finance companies, in preparing and presenting the statement, the company has considered "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3050

Our responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. In the absence of specific detail guidelines with respect of providing assurance report for finance companies on the Director's Statement on Internal control, we conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

Summary of work performed
Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the system of internal control for the company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures.

1. We had an initial meeting with the Head of Finance and other relevant key management of the company and discussed the company's approach in assessing, designing and effectiveness of the company's internal controls over financial reporting.
2. Requested all correspondence related to Directors' Assessment on design and effectiveness of the Internal Control of the company and performed further procedures including the following:
   2.1 We independently reviewed the documentation of internal controls related to the key processes provided by the management and confirmed the completeness of such documentation by performing walkthroughs and test of controls.

2.2 We reviewed the findings by Internal Auditors related to internal control weaknesses including suggestions for improvements.

2.3 Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees such as the Audit Committee.

3. Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

4. Considered whether the directors have disclosed that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, whether it has been in place for the year under review, whether it is regularly reviewed by the Board of Directors. Further, we considered whether the explanations given in the statement are consistent with our understanding.

5. Reviewed the other documentation prepared by or for the directors to support their Statement on Internal Control.

6. Obtained written representations from directors on matters material to the Statement on Internal Control when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3050 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3050 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the company.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo 02
26th July 2021

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

The Members of the Board appointed Integrated Risk Management Committee as at the end of the financial year 2020/21 comprised of the following members:

- Mr Anil Tittawella* - Chairman
- Mr Ramesh Schaffter * - Director
- Ms Indrani Goonasekera* - Director
- Mr Darshana Ratnayake* - Director
- Mr K M M Jabir** – Chief Executive Officer
- Mr. Sanjeeva Jayasinghe – Head of Finance
- Ms. Gayani Godellawatta. – Head of Risk & Compliance/ Secretary IRMC

**Independent Non-Executive Directors*
*** Executive Director*

CHARTER OF THE COMMITTEE

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

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

COMMITTEE MEETINGS

The Committee held five (05) Meetings during the year under review to discuss and make recommendations relating to risk exposure of the Company. The attendance of the Members is given in page 60 of the Annual Report. The Minutes of the IRMC Meetings and its recommendations are forwarded to the Board within a week of each meeting.

COMMITTEE METHODOLOGY

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

ACTIVITIES OF THE COMMITTEE

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

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

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

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

ACTIVITIES OF THE IRMC IN FY 2020/21

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

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

On behalf of the Board Integrated Risk Management Committee,

Mr. Anil Tittawella
Chairman
Board Integrated Risk Management Committee
4th August 2021

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Human Resources and Remuneration Committee had been formed by the Board, conforming to the best practices on Corporate Governance.

COMPOSITION

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

Ms. Indrani Goonesekera
Chairperson (Independent Director)

Mr. Prakash Schaffter
(Non-Independent Director)

Mr. Anil Tittawella
(Independent Director)

The Company Secretaries function as the Secretary to the Committee.

TERMS OF REFERENCE

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

FUNCTIONS

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

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

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

REMUNERATION POLICY

The reward strategies and remuneration structure of the Company is designed to attract, motivate and retain suitably skilled and qualified staff, at all levels of the 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.

COMMITTEE MEETINGS

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

The Committee held 06 meetings during the year under review notwithstanding the COVID -19 pandemic situation in the country.

The Committee met to review the staff cadre budgets and to approve replacements/recruitments for the business units. The Committee also met to consider the qualifications, experience and suitability of persons to fill a KMP position that fell vacant during the year and recommend the appointment to the Board. The Committee was called to consider and approve a revision proposed to the staff incentive schemes. Further, the Committee met to consider and recommend the payment of a performance bonus to the staff for the year 2020/2021.

Attendance at the meetings is given on page 60 of the Annual Report.

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

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

Ms. Indrani Goonesekera
Chairperson
Human Resources and Remuneration Committee
4th August 2021

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

COMPOSITION

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

Ms. Indrani Goonasekara
Chairperson - Independent Director

Mr. Sriyan Cooray
Member - Independent Director

Mr. Darshana Ratnayake
Member - Independent Director

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

POLICY AND PROCEDURES

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

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

ROLE

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

The main responsibilities of the Committee include the following-

- Develop and recommend policies and procedures to evaluate/review Related Party Transactions of the Company.
- Review proposed Related Party Transactions of the Company, except those explicitly exempted by the Committee Charter and evaluate whether such transactions are at arm's length and in the best interest of the Company and all its stakeholders.
- Update the Board of Directors on the Related Party Transactions of the Company.
- Make disclosures on applicable Related Party Transactions, as required by the applicable regulations/rules.

COMMITTEE MEETINGS

The Committee held four (04) meetings during the year under review despite the COVID-19 pandemic situation faced by the country. Some of the transactions reviewed by the Committee related to expert services from the Group Companies on terms comparable with market terms for similar transactions. The Committee reviewed the performance/ status of RPts. Where appropriate, the Committee also considered routine related party transactions by circulation.

The attendance of Members at the Committee meetings is given on page 60 of the Annual Report.

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

Related party transactions list is disclosed on pages 128 to 129 of the Annual Report and under Note 42 of the financial statements

Ms. Indrani Goonesekera
Chairperson
Related Party Transactions Review Committee
4th August 2021

BOARD AUDIT COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

The Audit Committee has been appointed by the Board of Directors of the company. As at 31-Mar-2021 it comprised of the following Directors:

Ms. Minette Perera– Chairperson of the Committee
Mr. N. Sriyan Suresh Cooray - member of the Committee
Mr. Darshana Ratnayake - member of the Committee

The profiles of the members are given on pages 36 to 37 in this Annual Report.

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

TERMS OF REFERENCE OF THE COMMITTEE

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

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

COMMITTEE MEETINGS

The Committee held six meetings during the year under review. Director/ CEO, Chief Internal Auditor, Head of Finance and Head of 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 60 of the Annual Report.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The duties of the Committee includes, inter alia, to assist the Board in ensuring the integrity of the Company's financial reporting process, the appointment of external auditors, implementation of CBSL guidelines to auditors, monitoring the independence and performance of external auditors, monitoring internal controls and the internal audit function and review the Company's annual report and accounts and periodical reports before submission to the Board.

FINANCIAL REPORTING SYSTEM

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

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

A special meeting was held with the external auditors before commencing the current year's audit to discuss and agree the scope of the audit and the audit plan. Prior to the release of the Audited Accounts, a meeting was held between the external Auditors and the Committee to discuss the progress and any audit concerns. Issues highlighted in the management letter of the external auditors 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 2022, 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
4th August 2021

FINANCIAL STATEMENTS

DIRECTORS' REPORT ON THE INTERNAL CONTROL SYSTEM

RESPONSIBILITY

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

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

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

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

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

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

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

CONFIRMATION

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

EXTERNAL AUDITORS CERTIFICATION

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

By order of the Board;

Anil Tittawella
Chairman
04 August 2021

Prakash Shaffter
Non-Executive Director
04 August 2021

Minette Perera
Chairperson
Audit Committee
04 August 2021

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 2021. The details contained in this Report provide the relevant information as required by the Companies Act No.7 of 2007 and Finance Companies (Corporate Governance) Direction No. 3 of 2008.

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

A review of the operations of Orient Finance PLC during the financial year 2020/21 is contained in the Chairman's Message, CEO's Review and Management Discussion and Analysis (pages 8 and 31). These reports form an integral part of this Annual Report.

STATED CAPITAL

The Company's Stated Capital stood at Rs.2,431,879,039 as at 31st March 2021.

RESERVES

The Company's retained earnings and other reserves as at 31st March 2021 amounting to Rs. 455,050,971 Movements of reserves and the break up are given in Statement of Changes in Equity on page 85.

SHAREHOLDING AND SHARE INFORMATION

The Company had 848 registered ordinary shareholders as at 31st March 2021. The distribution of shareholding and major shareholders are given on page 145.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message (pages 8 to 11), the Chief Executive Officer's Review (pages 12 to 15), and Management Discussion and Analysis (pages 22 to 31).

FINANCIAL STATEMENTS

The Audited Financial Statements of the Company for the year ended 31st March 2021 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 two Directors of the Company, are given on pages 82 to 138 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 87 to 102.

INCOME, PROFIT & APPROPRIATIONS

Provided below is a summary of the financial results of the Company's operations during the year ended 31st March 2021.

	2021 (Rs. Mn)	2020 (Rs. Mn)
Income	2,675.72	3,285.24
Profit /(Loss) Before Taxation	193.56	(437.35)
Less: Income Tax (Expense)/ Reversal		
Profit /(Loss) for the year	193.56	(437.35)
Balance brought forward from the previous year	(16.50)	(173.87)
Less: Net impact on Adoption of SLFRS 09		
Profit for the period of 2020/2021	193.56	(437.35)
Transferred to Statutory Reserve Fund	19.3	4.6
Dividend Paid		-
Transfer from Other Comprehensive Income	(16.84)	(1.99)
Write off of share premium generated through share conversion		(70.1)
Balance carried forward	(16.5)	(173.87)
Proposed Dividend		-

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 45 to the financial statements.

DIVIDENDS

The Board of Directors does not recommend a dividend to the shareholders for the financial year ended 31st March 2021.

CORPORATE DONATIONS

During the year under review, the Company has made donations amounting to Rs. 320,000 (2020 – Rs. 42,250).

TAXATION

The Company is liable for income tax at the rate of 24%.

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

STATUTORY PAYMENTS

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

PROPERTY, PLANT & EQUIPMENT

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

OUTSTANDING LITIGATION

In the opinion of the Directors and the Company's lawyers, there is no pending litigation against the Company as at 31st March 2021.

GOING CONCERN

In determining the basis of preparing the financial statements for the year ended 31st March, 2021, based on available information, the management has assessed the existing and anticipated effects of COVID – 19 on the company and the appropriateness of the use of the going concern basis. As at reporting date, the company evaluated the resilience of its business considering a wide range of factors under multiple scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing service to ensure business continue as least impacted as possible.

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

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

THE BOARD OF DIRECTORS

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

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

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

The following were the Directors of the Company during the year

Mr. Anil Tittawella	Chairman – Independent, Non-Executive Director
Mr. Prakash Schaffter	Non-Independent, Non-Executive Director
Ms. Minette. D. A. Perera	Non-Independent, Non-Executive Director
Ms. Indrani Goonesekera	Independent, Non-Executive Director
Mr. Ramesh Schaffter	Non-Independent, Non-Executive Director
Mr. Sriyan Cooray	Independent – Non-Executive Director
Mr. Darshana Ratnayake	Independent – Non-Executive Director
Mr. K.M.M. Jabir	Executive Director

The profiles of the Directors are given in pages 36 to 37 of the Annual Report.

INTEREST REGISTER

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTEREST IN SHARES OF THE COMPANY

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards and Sri Lanka Financial Reporting standards and Companies Act No. 7 of 2007. The statement of Directors' Responsibilities given on page 78 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 42 to the financial statements forming part of the Annual Report of the Board.

ENVIRONMENT

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

CORPORATE GOVERNANCE

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

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 Bartleet 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 2021 was 441 (31st March 2020 – 509)

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. 1,506,870/- as Audit Fees for the year 2020/21. (The Auditors were paid Rs. 1,328,250/- as Audit Fees for the year 2019/20).

The retiring Auditors, M/s BDO Partners, have expressed their willingness to continue in office for the financial year 2021/22. 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 on 6th September 2021.

INDEPENDENCE OF AUDITORS

Based on the declaration from M/s BDO Partners, Chartered Accountants and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company other than those disclosed in this Report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 6th September 2021. The notice of the meeting relating to the thirty eighth Annual General Meeting is given on page 151.

ACKNOWLEDGMENT 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:

Anil Tittawella
Chairman

P. A. Schaffter
Director
4th August 2021

KHL Corporate Services Limited
Company Secretaries

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 79 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 2021; 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 2021.

In preparing the financial statements of the Company for the year ended 31st March 2021, 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.

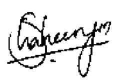
The Directors have also taken such reasonable steps to safeguard the assets of the Company to prevent and detect frauds and other irregularities. In this context, the Directors have given due consideration to the establishment of appropriate internal control systems.

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
4th August 2021

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Orient Finance PLC ("the company"), which comprise the statement of financial position as at 31st March 2021, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 06 to 63.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31st March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter 1: Impairment of Loans and Receivables

The company's gross loans and receivables amount to Rs. 12.49 billion as at 31st March, 2021 (2020: Rs. 14.66 billion) and impairment allowance for the year amounts to Rs. 1,042 million at 31st March, 2021 (2020: Rs. 2,323 million).

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

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

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

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

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

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

- Determine if the loan or advance is credit impaired;
- Evaluate the adequacy and recoverability of collateral;
- Determine the expected cash flows to be collected; and
- Estimate the timing of the future cash flows.

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

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

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

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

How our audit addressed the key audit matter

Our procedures included the following:

- We obtained an understanding of management's process and tested controls over credit origination, credit monitoring and credit remediation.
- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied, by comparing these to the requirements of SLFRS 9: Financial Instruments, including consideration of COVID-19 impact and related industry responses based on the best available information up to the date of our report.
- We test-checked the underlying calculations and data.

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

For loans and receivables collectively assessed for impairment:

- We assessed the completeness of the underlying information in loans and receivables used in the impairment calculations by agreeing details to the company's source documents and information in IT systems.
- We also considered the reasonableness of macro-economic and other factors used, by comparing them with publicly available data and information sources. This included assessing and challenging the reasonableness of macroeconomic scenarios considered and certain forward-looking economic data developed by the company, with particular focus on the impact of COVID-19 in light of certain available information and consensus views.

For loans and receivables individually assessed for impairment:

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

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

Key audit matter 2: Impairment of Goodwill and Brand Value

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

This was considered a matter of significance to our audit due to the materiality of the carrying value of the goodwill and brand value balances which amount to Rs. 565 million and Rs 236 million respectively as at 31st March 2021 and the extent of judgment involved due to complexity of assessment and the impact of the COVID 19 outbreak.

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

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

Based on the impairment test performed for goodwill and brand value as explained above, the company concluded that both goodwill and brand value have not been impaired as at 31st March 2021.

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

How our audit addressed the key audit matter

We have tested management's assessment of the impairment of goodwill and brand value as at 31st March 2021.

Our work included the following procedures:

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

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise whether it appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

BDO Partners

CHARTERED ACCOUNTANTS
Colombo
26th July 2021

INCOME STATEMENT

For the Year Ended 31st March	Note	2021 Rs.	2020 Rs.
Income	4	2,675,721,881	3,285,237,560
Interest income	5	2,441,043,999	3,052,677,796
Interest expenses	6	(1,333,791,609)	(1,799,707,844)
Net interest income		1,107,252,390	1,252,969,952
Fee and commission income	7	122,533,493	162,802,070
Other operating income	8	112,144,389	69,757,694
Total operating income		1,341,930,272	1,485,529,716
Impairment charges for loans and receivables to customers	9	(110,464,361)	(1,014,789,196)
Net operating income		1,281,468,711	470,740,520
Operating expenses			
Personnel expenses	10	(399,738,824)	(427,044,060)
Depreciation and amortization		(69,077,693)	(63,584,937)
Other operating expenses	11	(502,795,174)	(405,800,088)
Operating profit/(loss) before Value Added Tax and NBT		259,854,020	(425,688,565)
Value Added Tax and NBT on financial services		(66,291,132)	(11,658,516)
Profit/(loss) before income tax		193,562,888	(437,347,081)
Income tax expense	12	-	-
Profit/(loss) for the year		193,562,888	(437,347,081)
Basic earnings per share (Rs.)	13.1	0.92	(3.06)
Dividend per share (Rs.)	14	-	-

Figures in brackets indicate deductions.

The accounting policies and notes on pages 87 to 138 form an integral part of these Financial Statements.

Colombo
26th July 2021

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Note	2021 Rs.	2020 Rs.
Profit/(Loss) for the year		193,562,888	(437,347,081)
Other comprehensive income			
Other comprehensive income to be re-classified to profit or loss in subsequent periods			
Change in fair value of financial assets at fair value through other comprehensive income		-	(1,069,031)
Fair value loss on investment in quoted shares	17	(16,556,775)	-
Deferred tax effect on above	22	-	-
		(16,556,775)	(1,069,031)
Other comprehensive income not to be re-classified to profit or loss in subsequent periods			
Actuarial loss on retirement benefit plan	34.1	(230,413)	(719,951)
Deferred tax effect on above	22	(55,299)	(201,586)
		(285,712)	(921,537)
Other comprehensive income/(expenses) for the year net of tax		(16,842,487)	(1,990,568)
Total comprehensive income/(expenses) for the year net of tax		176,720,401	(439,337,649)

The accounting policies and notes on pages 87 to 138 form an integral part of these Financial Statements.

Colombo
26th July 2021

STATEMENT OF FINANCIAL POSITION

As At 31st March	Note	2021 Rs.	2020 Rs.
ASSETS			
Cash and cash equivalents	16	225,161,509	70,618,412
Financial assets - fair value through other comprehensive income	17	849,632,814	934,478,086
Loans and receivables	18	11,447,030,340	12,339,298,071
Investments with banks and other financial institutions	19	31,684,600	82,492,401
Other assets	20	269,749,720	279,432,153
Real estate stock	21	24,764,518	16,772,709
Deferred tax asset	22	370,832,054	370,887,353
Goodwill	23	564,545,746	564,545,746
Brand value	23	235,880,000	235,880,000
Intangible assets	24	50,664,120	805,470
Property, plant and equipment	25	61,805,370	75,180,798
Right-of-use of assets	26	129,167,820	128,894,557
Investment properties	27	628,000,002	538,250,002
Total assets		14,888,918,620	15,637,535,758
LIABILITIES			
Due to banks - bank overdrafts	16	79,180,458	265,514,298
Deposits from customers	28	8,692,940,933	9,020,632,231
Interest bearing borrowings	29	2,650,800,328	3,038,038,298
Lease liability - Right-of-use assets	32	104,375,186	117,941,195
Other liabilities	33	434,886,967	442,612,869
Retirement benefit obligations	34	39,804,738	42,587,258
Total liabilities		12,001,988,610	12,927,326,149
EQUITY			
Stated capital	35	2,431,879,039	2,431,879,039
Statutory reserve fund	36	330,437,030	311,080,742
Revaluation reserve	37	141,120,773	141,120,773
Accumulated losses		(16,506,832)	(173,870,945)
Total equity		2,886,930,010	2,710,209,609
Total equity and liabilities		14,888,918,620	15,637,535,758
Net assets per share		13.68	13.00

Figures in brackets indicate deductions.

The accounting policies and notes on pages 87 to 138 form an integral part of these Financial Statements.

The Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Sanjeeva Jayasinghe
Senior Manager – Finance

Mr. K.M.M. Jabir
Director/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.

Mr. Prakash Schaffter
Director

Mr. Ramesh Schaffter
Director

Colombo
26th July 2021

STATEMENT OF CHANGES IN EQUITY

For the Period ended 31st March 2021	Stated Capital	Statutory reserve fund	Revaluation reserve	Fair value reserve	Accumulated losses	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April, 2019	1,378,689,779	306,478,542	141,120,773	1,069,031	339,141,684	2,166,499,809
Loss for the year	-	-	-	-	(437,347,081)	(437,347,081)
Other comprehensive income (expense) net of taxes	-	-	-	(1,069,031)	(921,537)	(1,990,568)
Transfer to statutory reserve (Note 36)	-	4,602,200	-	-	(4,602,200)	-
Transactions with equityholders						
Conversion of preference share capital to ordinary shares	470,038,111	-	-	-	-	470,038,111
Conversion of accrued preference share interest to ordinary shares	76,508,375	-	-	-	-	76,508,375
Write off of share premium generated through share conversion	-	-	-	-	(70,141,811)	(70,141,811)
Right issue of shares	506,642,774	-	-	-	-	506,642,774
Balance as at 31st March, 2020	2,431,879,039	311,080,742	141,120,773	-	(173,870,945)	2,710,209,609
Profit for the year	-	-	-	-	193,562,888	193,562,888
Transfer to statutory reserve (Note 36)	-	19,356,288	-	-	(19,356,288)	-
Other comprehensive income (expense) net of taxes	-	-	-	-	(16,842,487)	(16,842,487)
Balance as at 31st March, 2021	2,431,879,039	330,437,030	141,120,773	-	(16,506,832)	2,886,930,010

Figures in brackets indicate deductions.

The accounting policies and notes on pages 87 to 138 form an integral part of these Financial Statements.

Colombo
26th July 2021

STATEMENT OF CASH FLOWS

For the year ended 31st March	2021 Rs.	2020 Rs.
Cash flows from operating activities		
Profit/(loss) before income tax	193,562,888	(437,347,081)
Adjustment for:		
Depreciation and amortization	69,077,693	63,584,937
Profit on disposal of property, plant and equipment	(433,641)	(260,675)
Property, plant and equipment written off	31,886,945	-
Gold loans written off - Gampaha robbery	58,236,918	-
Impairment charges for loans and receivables to customers	110,464,561	1,014,789,196
Finance expenses	1,333,791,609	1,799,707,844
Investment income	(47,241,809)	(114,577,128)
Provision for gratuity	6,894,587	10,217,158
Operating profit before working capital changes	1,756,239,751	2,336,114,251
Change in loans and receivables to customers	643,179,186	542,022,390
Change in other assets	9,682,433	(27,039,327)
Change in deposits from customers	(300,066,595)	(1,421,815,124)
Change in other liabilities	(7,725,902)	6,281,696
	2,101,308,873	1,435,563,886
Rent Paid	(67,336,244)	(59,165,572)
Interest paid	(979,477,392)	(1,295,885,791)
Gratuity paid	(9,907,520)	(18,655,827)
Net cash from operating activities	1,044,587,717	61,856,696
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(105,274,587)	(30,740,368)
Proceeds from sale of property, plant and equipment	467,452	282,706
Expenses incurred for real estate stock	(7,991,809)	-
Net change in financial assets-FVTOCI	68,288,497	1,392,493
Net change in investments with bank and other financial institutions	47,274,816	203,380,071
Investment income received	41,411,853	114,957,986
Net cash generated from investing activities	44,176,222	289,272,888
Cash flows from financing activities		
Interest bearing borrowings obtained	3,018,000,000	7,283,733,569
Repayment of interest bearing borrowings	(3,417,212,273)	(6,359,055,739)
Interest paid on borrowings	(348,674,729)	(398,979,517)
Interest paid on debentures	-	(90,195,165)
Redemption of preference shares	-	(59,289,140)
Redemption of debentures	-	(1,000,000,000)
Right issue of shares	-	506,642,774
Net cash used in financing activities	(747,887,002)	(117,143,218)
Net change in cash and cash equivalents	340,876,937	233,986,366
Cash and cash equivalents at the beginning of the year	(194,895,886)	(428,882,252)
Cash and cash equivalents at the end of the year (Note A)	145,981,051	(194,895,886)
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	138,317,736	62,617,606
Cash at bank	86,843,773	8,000,806
Bank overdrafts - secured	(79,180,458)	(265,514,298)
	145,981,051	(194,895,886)

The accounting policies and notes on pages 87 to 138 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Colombo
26th July 2021

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 CORPORATE INFORMATION

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

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

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

1.3 PARENT ENTITY AND ULTIMATE PARENT ENTITY

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

1.4 DIRECTORS' RESPONSIBILITY STATEMENT

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

1.5 DATE OF AUTHORIZATION

The financial statements of the company for the year ended 31st March 2021 were authorized for issue by the board of directors on 26th July 2021.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The statement of financial position as at 31st March 2021 income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows, and the summary of significant accounting policies and other explanatory information to the financial statements ("financial statements") of the company for the year then ended, comply with the Sri Lanka Accounting Standards (SLFRSs /LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka") and the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.2 BASIS OF MEASUREMENT

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

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 PRESENTATION OF FINANCIAL STATEMENTS

The assets and liabilities of the company presented in its statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. Maturity analysis is presented in Note 41 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 income statement 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

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

2.7 GOING CONCERN

The directors have made an assessment of the company's ability to continue s a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the existing and potential implications COVID 19 pandemic on the business operations and performance of the company and the measures adopted by the government to mitigate the pandemic's spread and support recovery of the economy. The Board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.8 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements of the company are as follows:

2.8.1 Fair value of financial instruments

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

2.8.2 Classification of financial assets and liabilities

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

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

2.8.3 Impairment losses on financial assets

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

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

2.8.4 Impairment of goodwill and brand

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

2.8.5 Defined benefit obligations

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

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

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

2.8.6 Useful economic lives of property, plant and equipment

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

2.8.7 SLFRS 16 – Leases

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

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

2.8.7.2 Estimating the incremental borrowing rate

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

2.9 CHANGES IN ACCOUNTING POLICIES

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

2.10 NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

The company applied for the first time the following amendments to Accounting Standards, which are effective for annual period beginning on or after January 01, 2020. The company has not early adopted any other accounting standards, interpretation or amendment that has been issued but not effective.

2.10.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial Statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the financial statements of, nor is there expected to be any future impact on the financial statements of the company.

2.10.2 Amendments to the conceptual framework for financial reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

These amendments had no impact on the financial statements of the company.

2.10.3 Practical expedient: SLFRS 16 - COVID-19 Related Rent Concessions

This practical expedient provides relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification. This practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June 2022.

This amendment is not expected to have a material impact on the financial statements of the company in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, CLASSIFICATION AND SUBSEQUENT MEASUREMENT

3.1.1 Date of recognition

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

3.1.2 Initial measurement of financial instruments

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

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

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

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

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

3.1.2.1 "Day 1" profit or loss

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

3.1.3 Classification and subsequent measurement of financial assets

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

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

The subsequent measurement of financial assets depends on their classification.

3.1.3.1 Business model assessment

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

The information considered includes:

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

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

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

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

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

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

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

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

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

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

3.1.3.3 Financial assets measured at amortised cost

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

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

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

3.1.3.3.1 Loans and advances to customers

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

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

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

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

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

3.1.3.3.3 Cash and cash equivalents

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

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

3.1.3.3.4 Investments with banks and other financial institutions

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

3.1.3.4 Financial assets measured at FVOCI

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

3.1.3.4.1 Debt instruments measured at FVOCI

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

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

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

Details of “Debt instruments at FVOCI” are given in Note 17.

3.1.3.4.2 Equity instruments designated at FVOCI

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

Details of “Equity instruments at FVOCI” are given in Note 17.

3.1.4 Classification and subsequent measurement of financial liabilities

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

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

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1 Financial liabilities at fair value through profit or loss

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

3.1.4.2 Financial liabilities at amortised cost

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

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.
The EIR amortisation is included in “Interest expense” in the income statement. Gains and losses are also recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.1.5 Reclassification of financial assets and liabilities

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

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

3.1.5.1 Measurement of reclassification of financial assets

3.1.5.1.1 Reclassification of Financial Instruments at 'Fair value through profit or loss'

- To Fair value through other comprehensive income

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

- To Amortised Cost

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

3.1.5.1.2 Reclassification of Financial Instruments at 'Fair value through other comprehensive income'

- To Fair value through profit or loss

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

- To Amortised Cost

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

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

3.1.5.1.3 Reclassification of Financial Instruments at "Amortised Cost"

- To Fair value through other comprehensive income

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

- To Fair value through profit or loss

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

3.1.6 De-recognition of financial assets and financial liabilities

3.1.6.1 Financial assets

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

3.1.6.2 Financial liabilities

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

3.1.7 Modification of financial assets and financial liabilities

3.1.7.1 Financial assets

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

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

3.1.7.2 Financial liabilities

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

3.1.8 Offsetting of financial instruments

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

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

3.1.9 Amortised cost and gross carrying amount

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

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

3.1.10 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 49.

3.1.11 Identification and measurement of impairment of financial assets

3.1.11.1 Overview of the ECL principles

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

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

- Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the company records an allowance for LTECL. Refer Note 3.1.11.2 for a description on how the company determines when a significant increase in credit risk has occurred.
- Stage 3: If a financial asset is credit-impaired, it is moved to Stage 3 and the company recognises an allowance for LTECL, with probability of default at 100%. Refer Note 3.1.11.3 for a description on how the company defines credit impaired and default.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The company does not have POCI loans as at the reporting date.

In response to COVID-19, the company undertook a review of its loan portfolios and the related ECL. The review considered the macroeconomic outlook, client and customer credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date. While certain model inputs including forward-looking information were revised, the ECL models, SICR thresholds, and definitions of default remain consistent with prior periods.

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

3.1.11.2 Significant increase in credit risk

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

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

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

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

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

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

3.1.11.3 Definition of default and credit impaired assets

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

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

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

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

3.1.11.4 Movement between the stages

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

3.1.11.5 Grouping financial assets measured on collective basis

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

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

3.1.11.6 The calculation of Expected Credit Loss Principle (ECL)

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

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

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

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

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

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

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

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

COVID - 19 impact on loans and advances

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

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

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

3.1.12 Write-off of loans and advances

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

3.2 FAIR VALUE MEASUREMENT

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

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

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

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

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

Level 1

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

Level 2

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

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

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

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

Level 3

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

3.3 INVENTORIES

Inventories consist of stationery 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.

3.4 PROPERTY, PLANT AND EQUIPMENT

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

3.4.1 Recognition

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

3.4.2 Measurement

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

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are 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.

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

3.4.3 Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is 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 derecognized. The cost of the day-to-day servicing of property, plant and equipment is 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 derecognized.

3.4.4 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 are as follows:

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

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

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

3.5 INVESTMENT PROPERTIES

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

3.5.1 Basis of recognition

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

3.5.2 Measurement

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

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

3.5.3 Derecognition

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

3.6 LEASES

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

a) Basis of recognition

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

b) Basis of measurement

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

c) Depreciation

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

3.6.2 Lease liability

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

Details of “Right-of-use asset” and “Lease liability” are given in Notes 26 and 32 respectively.

3.6.3 Operating leases – Company as a lessor

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

3.7 INTANGIBLE ASSETS

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

3.7.1 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 atleast 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.

3.7.1.1 Computer software

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

3.7.2 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.

3.7.2.1 Brand value

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

3.7.3 Derecognition of intangible assets

Intangible assets are derecognized 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.

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

3.8.1 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 the 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.

3.8.2 Calculation of recoverable amount

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

3.8.3 Reversal of impairment

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

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

3.9 DEPOSITS DUE TO CUSTOMERS

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

3.10 OTHER LIABILITIES

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

3.11 EMPLOYEE BENEFITS

3.11.1 Defined contribution plans

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

3.11.1.1 Employees' Provident Fund (EPF)

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

3.11.1.2 Employees' Trust Fund (ETF)

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

3.11.2 Defined benefit plans

3.11.2.1 Retirement benefit obligations

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

The calculation is performed by a qualified actuary using a "Projected Unit Credit" method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used. The assumptions based on which the results of actuarial valuation was determined are included in the Note 35 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.

3.11.3 Short term employee benefits

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

3.12 PROVISIONS

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

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

3.13 CAPITAL COMMITMENTS AND CONTINGENCIES

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

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

3.14 EVENTS OCCURRING AFTER THE REPORTING DATE

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

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

3.15 INCOME STATEMENT

3.15.1 Revenue recognition

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

3.15.1.1 Interest income and interest expense

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

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

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

As per LKAS 39, the interest income and expense recognised in the Income Statement included:

- Interest on loans and receivables calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

Effective Interest Rate (EIR)

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

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

When calculating the EIR for financial instruments other than credit-impaired assets, the company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs).

For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

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

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

3.15.1.2 Dividend income

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

3.15.1.3 Fees and commission income and expense

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

3.15.1.4 Interest on overdue rentals

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

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

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

3.15.1.6 Recovery of bad and doubtful debts written off

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

3.15.2 Expenditure

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

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

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

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

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

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

3.15.2.1 Borrowing costs

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

3.16 TAXES

3.16.1 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. 24 of 2017 and the amendments thereto, at the rates specified in the Note 12 to the financial statements. This note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

Deferred tax

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

3.16.2 Value Added Tax on financial services

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

3.16.3 Crop Insurance Levy (CIL)

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

3.17 EARNINGS PER SHARE

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

3.18 CASH FLOW STATEMENT

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

3.19 REGULATORY PROVISIONS

3.19.1 Deposit insurance scheme

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

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

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

3.20 RESERVES

3.20.1 Statutory reserve fund

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

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

3.20.2 Fair value / Available for sale reserve

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

3.21 SEGMENT REPORTING

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME

For the year ended 31st March	2021 Rs.	2020 Rs.
Interest income (Note 5)	2,441,043,999	3,052,677,796
Fee and commission income (Note 7)	122,533,493	162,802,070
Other operating income (Note 8)	112,144,389	69,757,694
	2,675,721,881	3,285,237,560

5. INTEREST INCOME

For the year ended 31st March	2021 Rs.	2020 Rs.
Finance lease	1,791,158,103	2,252,834,035
Hire purchase	941,314	2,280,721
Factoring	18,280,832	51,007,077
Loans	153,740,816	297,775,883
Gold loans	429,681,125	334,202,952
Interest income on investments	47,241,809	114,577,128
	2,441,043,999	3,052,677,796

6. INTEREST EXPENSES

For the year ended 31st March	2021 Rs.	2020 Rs.
Interest expense on		
Borrowings	339,014,254	355,005,867
Customer deposits	951,852,689	1,258,801,863
Debentures	-	77,929,180
Preference shares	-	23,476,889
Negotiable instruments	4,868,672	14,769,603
Overdraft interest	16,766,106	50,695,905
Interest expense on lease liabilities - Right-of-use asset	21,289,888	19,028,537
	1,333,791,609	1,799,707,844

7. FEE AND COMMISSION INCOME

For the year ended 31st March	2021 Rs.	2020 Rs.
Documentation income -Lease and hire purchases	77,371,335	93,352,818
Administration charges -Factoring	1,921,243	5,335,697
Service charges - Loans	3,109,202	-
Insurance commission	40,131,713	64,113,555
	122,533,493	162,802,070

8. OTHER OPERATING INCOME

For the year ended 31st March	2021 Rs.	2020 Rs.
Collections from written off contracts	54,497,653	24,232,575
Profit on disposal of property, plant and equipment	433,641	260,675
Rent income	11,740,282	11,768,093
Fair value gain on investment properties	39,525,849	5,400,000
Dividend income	768,000	577,920
Sundry income	5,178,964	27,518,431
	112,144,389	69,757,694

9. IMPAIRMENT CHARGES/(REVERSALS) FOR LOANS AND RECEIVABLES TO CUSTOMERS

For the year ended 31st March	2021 Rs.	2020 Rs.
Finance lease receivable		
Stage 01	(30,808,723)	(7,255,165)
Stage 02	(179,920,518)	91,510,229
Stage 03	223,445,135	685,529,226
	12,715,894	769,784,290
Hire purchase receivable		
Stage 01	(4,673)	(130,418)
Stage 02	(47,955)	(344,692)
Stage 03	(3,640,980)	15,205,657
	(3,693,608)	14,730,547
Other loans receivable		
Stage 01	(20,307,290)	(12,752,177)
Stage 02	(22,542,230)	(22,643,874)
Stage 03	88,000,450	189,550,348
	45,150,930	154,154,297
Factoring receivable		
Stage 01	194,128	-
Stage 02	-	-
Stage 03	44,405,262	71,286,151
	44,599,390	71,286,151
Gold loans receivable		
Stage 01	11,500,000	-
Stage 02	-	-
Stage 03	191,955	4,833,911
	11,691,955	4,833,911
Total impairment charge	110,464,561	1,014,789,196

10. PERSONNEL EXPENSES

For the year ended 31st March	2021 Rs.	2020 Rs.
Salaries and other related expenses	344,514,404	366,817,375
Defined contribution plan – EPF	38,663,866	40,007,621
– ETF	9,665,967	10,001,906
Defined benefit plan – Gratuity	6,894,587	10,217,158
	399,738,824	427,044,060

11. OTHER OPERATING EXPENSES

For the year ended 31st March	2021 Rs.	2020 Rs.
Directors' emoluments	5,175,000	5,900,000
Senior manager salaries	94,645,221	
Auditor's remuneration	1,394,650	1,328,250
Professional and legal fees	46,895,862	25,065,219
Charity and donations	320,000	42,250
Gold loans written-off - Gampaha robbery (Note 11.1)	58,236,918	-
Administration and establishment expenses	242,476,609	303,983,770
Advertising and business promotional expenses	63,805,751	49,365,318
Property, plant & equipment written-off (Note 11.2)	31,886,945	-
Other expenses	52,603,439	20,115,281
	502,795,174	405,800,088

11.1 The management has estimated the possible losses on robbery reported in Gampaha Branch and recognized Rs. 58,236,918/- as losses on robbery which represents the carrying value of gold loan balance as of the date of robbery. The investigations on the insurance claims are in progress as of the reporting date, therefore, no insurance receivable has been recognized as at 31st March 2021.

11.2 Based on the assessment of potential impairment carried out internally for property, plant and equipment as at 31st March, 2021, the Board of Directors has decided to write of furniture and fittings and office equipment with a carrying value of Rs. 31,886,945/- as at 31st March 2021.

12. INCOME TAX EXPENSE

For the year ended 31st March	2021 Rs.	2020 Rs.
Current tax		
On current year profits (Note 12.1)	-	-
Deferred tax		
Deferred tax charged to the income statement (Note 22)	-	-
Income tax expense for the year	-	-

12.1 RECONCILIATION BETWEEN ACCOUNTING PROFIT/(LOSS) AND TAXABLE INCOME

For the year ended 31st March	2021 Rs.	2020 Rs.
Profit/(loss) before income tax expense	193,562,888	(437,347,081)
Adjustments on disallowable expenses	3,908,089,350	3,481,353,191
Adjustments on allowable expenses	(3,838,333,288)	(3,032,238,017)
Statutory income	263,318,950	11,768,093
Less: Tax loss claimed (Note 12.2)	(221,037,119)	(11,768,093)
Tax loss claimed on non-leasing business (Note 12.3)	(42,281,831)	-
Assessable income	-	-
Less: Utilization of qualifying payments (Note 12.3)	-	-
Taxable profit/(loss) for the year	-	-
Effective tax rate	-	-

12. 2 TAX LOSSES

For the year ended 31st March	2021 Rs.	2020 Rs.
Tax losses brought forward	1,554,219,693	1,514,517,180
Tax losses on leasing business during the year	-	31,470,608
Tax losses claimed during the year	(221,037,119)	(11,768,093)
Tax losses carried forward	1,333,182,574	1,554,219,693

12.3 QUALIFYING PAYMENT ON INVESTMENT

For the year ended 31st March	2021 Rs.	2020 Rs.
Consideration paid to acquire former Orient Finance PLC	1,730,906,250	1,730,906,250
Less : Utilised in prior years	(301,623,378)	(301,623,378)
Less : Utilised during the year	(42,081,831)	-
Balance qualifying payment carried forward	1,387,001,041	1,429,282,872

12.4 CURRENT TAX

The company is liable for tax at the rate of 24% (2020 - 28%) on its taxable income in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments made thereto.

13. EARNINGS PER SHARE

13.1 BASIC EARNINGS PER SHARE

The calculation of earnings per share is based on the profit/(loss) 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	2021 Rs.	2020 Rs.
Profit /(loss) attributable to ordinary shareholders (Rs.)	193,562,888	(437,347,081)
Weighted average number of ordinary shares	211,101,155	142,774,184
Earnings per share (Rs.)	0.92	(3.06)
Weighted average number of ordinary shares	211,101,155	142,774,184

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	2021 Rs.	2020 Rs.
Dividend paid (Rs)	-	-
Dividend per share (Rs.)	-	-

15. FINANCIAL ASSETS AND LIABILITIES

15.1 CLASSIFICATION AS AT 31 MARCH 2021

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

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

15.2 CLASSIFICATION AS AT 31 MARCH 2020

	Loans and receivables (L&R) Rs.	Financial assets available for sale (AFS) Rs.	Total carrying amount Rs.
Financial assets			
Cash and cash equivalents	-	70,618,412	70,618,412
Available for sale financial assets	934,478,086	-	934,478,086
Loans and receivables to customers	-	12,339,298,071	12,339,298,071
Investments with banks and other financial institutions	-	82,492,401	82,492,401
Total financial assets	934,478,086	12,492,408,884	13,426,886,970

	Financial liabilities at amortised cost Rs.	Total carrying amount Rs.
Financial liabilities		
Bank overdrafts	265,514,298	265,514,298
Deposits from customers	9,020,632,231	9,020,632,231
Interest bearing borrowings	3,038,038,298	3,038,038,298
Total financial liabilities	12,324,184,827	12,324,184,827

16. CASH AND CASH EQUIVALENTS

As at 31st March	2021 Rs.	2020 Rs.
Cash in hand	138,317,736	62,617,606
Cash at bank	86,843,773	8,000,806
	225,161,509	70,618,412
Bank overdrafts	(79,180,458)	(265,514,298)
Cash and cash equivalents for the purpose of cash flow statement	145,981,051	(194,895,886)

17. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	2021 Rs.	2020 Rs.
Investments in government securities (Note 17.1)	782,877,214	934,247,486
Investments in unquoted shares (Note 17.2)	230,600	230,600
Investments in quoted shares (Note 17.3)	66,525,000	-
	849,632,814	934,478,086

17.1 INVESTMENTS IN GOVERNMENT SECURITIES

As at 31st March	2021 Rs.	2020 Rs.
Treasury bills	782,877,214	934,247,486
	782,877,214	934,247,486

17.2 INVESTMENTS IN UNQUOTED SHARES

As at 31st March	2021 Directors' Valuation Rs.	2020 Directors' Valuation Rs.
Finance House Consortium (Private) Limited	200,000	200,000
Credit Information Bureau of Sri Lanka	30,600	30,600
	230,600	230,600

The Directors' valuation of non-quoted securities based on cost of investment less impairment amounts to Rs. 230,600/- (2020 - Rs. 230,600/-).

17.3 INVESTMENT IN QUOTED SHARES

	No of shares	Cost Rs.	Fair value Rs.
Access Engineering PLC	3,000,000	9,160,000	6,630,000
Dipped Product PLC	175,000	10,312,500	8,120,000
Hemas Holdings PLC	100,000	9,719,275	8,340,000
Tokyo Cement Company (Lanka) PLC	100,000	8,735,000	6,670,000
Commercial Bank of Ceylon PLC	100,000	10,000,000	8,550,000
Hayleys PLC	125,000	9,835,000	7,600,000
Hatton National Bank PLC	75,000	9,320,000	7,290,000
John Keells Holdings PLC	50,000	8,750,000	7,425,000
People's Leasing and Finance PLC	500,000	7,250,000	5,900,000
		83,081,775	66,525,000
Fair value loss an investment in quoted shares			16,556,775

18. LOANS AND RECEIVABLES TO CUSTOMERS

As at 31st March	2021 Rs.	2020 Rs.
Loans and receivables	15,445,854,933	18,046,003,601
Less: Unearned income	(2,956,661,694)	(3,383,288,574)
Net loans and receivables	12,489,193,239	14,662,715,027
Less: Impairment for expected credit losses (Note 18.1.9)	(1,042,162,899)	(2,323,416,956)
Net loans and receivables	11,447,030,340	12,339,298,071

18.1.1 Finance lease receivables

As at 31st March	2021 Rs.	2020 Rs.
Gross lease rentals receivable	11,813,282,439	13,627,166,190
Less: Unearned income	(2,848,253,157)	(3,221,382,673)
Net lease rentals receivable	8,965,029,282	10,405,783,517
Less: Impairment for expected credit losses (Note 18.1.9)	(745,726,332)	(1,452,845,296)
Net finance lease receivable	8,219,302,950	8,952,938,221
Lease rentals receivables within one year		
Gross lease rentals receivable within one year	5,202,757,231	5,078,724,915
Less: Unearned income	(1,811,202,255)	(1,590,269,853)
Net lease rentals receivable within one year	3,391,554,976	3,488,455,062
Less: Impairment for expected credit losses	(236,228,694)	(566,389,483)
Net finance lease receivable within one year	3,155,326,282	2,922,065,579
Lease rentals receivables within one to five years		
Gross lease rentals receivable within one to five years	6,604,308,256	8,521,686,084
Less: Unearned income	(1,036,675,614)	(1,629,203,439)
Net lease rentals receivable within one to five years	5,567,632,642	6,892,482,645
Less: Impairment for expected credit losses	(509,497,638)	(886,455,813)
Net finance lease receivable within one to five years	5,058,135,004	6,006,026,832
Lease rentals receivables later than five years		
Gross lease rentals receivable later than five years	6,216,952	26,755,191
Less: Unearned income	(375,288)	(1,909,381)
Net lease rentals receivable later than five years	5,841,664	24,845,810
Less: Impairment for expected credit losses	-	-
Net finance lease receivable later than five years	5,841,664	24,845,810
Total	8,219,302,950	8,952,938,221

18.1.2 Hire purchase receivable

As at 31st March	2021 Rs.	2020 Rs.
Gross hire purchase rentals receivable	31,140,300	44,582,204
Less: Unearned income	-	(88,854)
Net hire purchase rentals receivable	31,140,300	44,493,350
Less: Impairment for expected credit losses (Note 18.1.9)	(11,764,064)	(27,658,882)
Net hire purchase receivable	19,376,236	16,834,468
Hire purchase rentals receivables within one year		
Gross hire purchase rentals receivable within one year	31,140,300	44,582,204
Less: Unearned income	-	(88,854)
Net hire purchase rentals receivable within one year	31,140,300	44,493,350
Less: Impairment for expected credit losses	(11,764,064)	(27,658,882)
Hire purchase rentals receivable within one year	19,376,236	16,834,468

18.1.3 Other loans receivables

As at 31st March	2021 Rs.	2020 Rs.
Gross other loans rentals receivables	1,241,149,993	2,059,495,557
Less: Unearned income	(108,408,537)	(161,817,047)
Net other loans rentals receivables	1,132,741,456	1,897,678,510
Less: Impairment for expected credit losses (Note 18.1.9)	(201,009,639)	(486,182,421)
Net other loans receivables	931,731,817	1,411,496,089
Other loans receivables within one year		
Gross other loans rentals receivable within one year	796,527,445	965,869,373
Less: Unearned income	(68,936,944)	(84,643,160)
Net other loans rentals receivable within one year	727,590,501	881,226,213
Less: Impairment for expected credit losses	(9,233,755)	(68,403,447)
Net other loans receivables within one year	718,356,746	812,822,766
Other loans receivables within one to five years		
Gross other loans rentals receivable within one to five years	444,622,548	1,093,626,183
Less: Unearned income	(39,471,593)	(77,173,887)
Net other loans rentals receivable within one to five years	405,150,955	1,016,452,296
Less: Impairment for expected credit losses	(191,775,884)	(417,778,973)
Net other loans receivables within one to five years	213,375,071	598,673,323
Total	931,731,817	1,411,496,089

18.1.4 Factoring receivable

As at 31st March	2021 Rs.	2020 Rs.
Factoring receivable	135,549,719	634,124,307
Less: Impairment for expected credit losses (Note 18.1.6)	(66,648,310)	(351,407,756)
Net factoring receivable	68,901,409	282,716,551

18.1.5 Pawning receivables

As at 31st March	2021 Rs.	2020 Rs.
Pawning receivable	2,224,732,482	1,680,635,343
Less: Impairment for expected credit losses (Note 18.1.6)	(17,014,555)	(5,322,600)
Net pawning receivable	2,207,717,927	1,675,312,743

18.1.6 Product wise analysis of net loans and receivables

	As at 31 March 2021 (SLFRS 9)			As at 31 March 2020 (SLFRS 9)		
	Gross Receivable	ECL Allowance	Net Receivable	Gross Receivable	ECL Allowance	Net Receivable
Finance lease receivable (Note 18.1.1)						
Stage 01	5,286,684,715	(69,076,544)	5,217,608,171	5,073,548,244	(99,885,266)	4,973,662,978
Stage 02	1,949,012,087	(167,152,151)	1,781,859,936	3,505,042,570	(347,072,669)	3,157,969,901
Stage 03	1,729,332,480	(509,497,637)	1,219,834,843	1,827,192,701	(1,005,887,361)	821,305,340
	8,965,029,282	(745,726,332)	8,219,302,950	10,405,783,515	(1,452,845,296)	8,952,938,219
Hire purchase receivable (Note 18.1.2)						
Stage 01	29,285	(402)	28,884	404,660	(5,074)	399,586
Stage 02	-	-	-	948,536	(47,955)	900,581
Stage 03	31,111,015	(11,763,663)	19,347,352	43,140,155	(27,605,852)	15,534,303
	31,140,300	(11,764,064)	19,376,236	44,493,351	(27,658,881)	16,834,470
Other loans receivable (Note 18.1.3)						
Stage 01	502,208,455	(3,403,242)	498,805,213	989,007,647	(23,710,532)	965,297,115
Stage 02	36,114,321	(5,830,513)	30,283,808	167,816,951	(28,372,743)	139,444,208
Stage 03	594,418,680	(191,775,884)	402,642,796	740,853,913	(434,099,145)	306,754,765
	1,132,741,456	(201,009,639)	931,731,817	1,897,678,511	(486,182,420)	1,411,496,088
Factoring receivable (Note 18.1.4)						
Stage 01	15,686,689	(4,416,620)	11,270,069	147,999,108	(4,222,492)	143,776,616
Stage 02	-	-	-	-	-	-
Stage 03	119,863,030	(62,231,690)	57,631,340	486,125,199	(347,185,264)	138,939,935
	135,549,719	(66,648,310)	68,901,409	634,124,307	(351,407,756)	282,716,551

	As at 31 March 2021 (SLFRS 9)			As at 31 March 2020 (SLFRS 9)		
	Gross Receivable	ECL Allowance	Net Receivable	Gross Receivable	ECL Allowance	Net Receivable
Gold loans receivable (Note 18.1.5)						
Stage 01	-	-	-	-	-	-
Stage 02	-	-	-	-	-	-
Stage 03	2,224,732,482	(17,014,555)	2,207,717,927	1,680,635,343	(5,322,600)	1,675,312,743
	2,224,732,482	(17,014,555)	2,207,717,927	1,680,635,343	(5,322,600)	1,675,312,743
Total	12,489,193,239	(1,042,162,900)	11,447,030,339	14,662,715,027	(2,323,416,953)	12,339,298,071

18.1.7 Movement in impairment charges during the year (SLFRS 9)

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Pawning Rs.	Total Rs.
Balance as at 01st April 2020	1,452,845,296	27,658,881	486,182,420	351,407,759	5,322,600	2,323,416,956
Charges/(reversal) for the year	12,715,894	(3,693,608)	45,150,930	44,599,390	11,691,955	110,464,561
Written off during the year	(719,834,859)	(12,201,209)	(330,323,711)	(325,680,663)	-	(1,388,040,441)
Investment Property classification				(3,678,176)		(3,678,176)
Balance as at 31st March 2021	745,726,331	11,764,064	201,009,639	66,648,310	17,014,555	1,042,162,900

18.1.8 Movement in specific and collective impairment charges for the Year Ended 31 March 2020 (LKAS 39)

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Pawning Rs.	Total Rs.
Balance as at 01st April 2019	683,568,519	14,562,664	335,322,505	280,121,605	488,689	1,314,063,982
Charge/(reversal) for the year	769,784,290	14,730,547	154,154,297	71,286,151	4,833,911	1,014,789,197
Written off during the year	(507,511)	(1,634,330)	(3,294,382)	-	-	(5,436,223)
Balance as at 31st March 2020	1,452,845,296	27,658,881	486,182,420	351,407,759	5,322,600	2,323,416,956

18.1.9 Impairment for Expected Credit Losses (Stage Composition) as at 31 March 2021

	Finance lease Rs.	Hire purchase Rs.	Loans and others Rs.	Factoring Rs.	Pawning Rs.	Total Rs.
Stage 01 ECL	69,076,544	401	3,403,242	4,416,620	11,500,000	88,396,807
Stage 02 ECL	167,152,151	-	5,830,513	-	-	172,982,664
Stage 03 ECL	509,497,637	11,763,663	191,775,884	62,231,690	5,514,555	780,783,429
	745,726,332	11,764,064	201,009,639	66,648,310	17,014,555	1,042,162,900

19. INVESTMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31st March	2021 Rs.	2020 Rs.
Investments in fixed deposits	31,718,600	82,526,401
Less : Expected credit loss on investment in fixed deposits	(34,000)	(34,000)
	31,684,600	82,492,401

20. OTHER ASSETS

As at 31st March	2021 Rs.	2020 Rs.
Advances paid	10,859,271	42,500,605
Insurance commissions receivable	5,526,833	12,169,559
VAT receivable	2,311,807	15,117,403
ESC and WHT recoverable	99,448,422	99,448,422
Deposits and prepayments	151,603,387	110,196,164
	269,749,720	279,432,153

21. REAL ESTATE STOCK

As at 31st March	2021 Rs.	2020 Rs.
Naranwala project	1,767,497	1,772,497
Kiriberiya project	2,887,113	2,887,113
Matale project	17,957,518	9,960,709
Maddawaththa project	865,459	865,459
Chillaw project	1,793,927	1,793,927
Fall in fair value of real estate stock	(506,996)	(506,996)
	24,764,518	16,772,709

22. DEFERRED TAX ASSET

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	370,887,353	371,088,939
Deferred tax effect on actuarial gain/(loss) on retirement benefit obligation	(58,299)	(201,586)
Balance at the end of the year	370,832,054	370,887,353

22.1 DEFERRED TAX ASSETS

The amount recognised as deferred tax asset is as follows:

As at 31st March	2021 Rs.	2020 Rs.
Property, plant and equipment and intangible assets	(56,234,630)	(51,347,932)
Right - of - assets	(5,950,232)	(3,066,940)
Retirement benefit obligations	9,553,137	11,924,432
Tax losses carried forward	163,974,158	118,477,423
Qualifying payment on purchase consideration of amalgamation	181,121,965	211,308,959
Unclaimed impairment provision	78,367,656	83,591,410
	370,832,054	370,887,352

Deferred tax has been determined based on the effective tax rate of 24% (2020 - 28%).

As of 31st March, 2021, the company has carried forward tax loss amounting to Rs. 1,333,182,574/- (2020 - Rs. 1,554,219,693/-) which is available for another 5 years for offsetting against future taxable income of the company in each year of assessment. However, the company has recognized deferred tax asset on unused tax losses only up to the deferred tax liability as 31st March 2021. Accordingly, deferred tax asset of Rs. 163,974,158/- (2020 - Rs. 118,477,423/-) has been recognized for the tax losses amounting to Rs. 683,255,658/- (2020 - Rs. 423,133,654/-).

23. GOODWILL ON ACQUISITION

There was a premium amounting to Rs. 800,425,746/- on the amalgamation of former Orient Finance PLC with former Bartleet Finance PLC during the quarter ended 30th June 2015 which has been computed as follows:

	Rs.
Total consideration paid	1,730,906,250
Total identifiable net assets	930,480,504
Total premium	800,425,746

23.1 BRAND VALUE

Out of the total premium on the acquisition of former Orient Finance PLC, Rs. 235,880,000/- was attributed as Brand Value of former Orient Finance PLC based on a valuation carried out by an independent professional valuer.

Valuation methodology and principal assumptions used for the brand valuation

“Income approach” has been considered for the valuation of brand by the independent professional valuer and the following principal assumptions were used.

- Implied royalty rate - 1.68%
- Cost of equity - 16.54% (risk free rate - 11.04% + equity risk premium - 5% + alpha 5%)
- Terminal growth rate - 3%
- Terminal multiplier 5.77

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

23.2 GOODWILL

Pursuant to recognition of brand value as described in note 23.1 above, the remainder of the premium on acquisition amounting to Rs. 564,545,746/- has been recognised as goodwill on acquisition.

23.3 IMPAIRMENT

The management has assessed to ascertain whether there could be any impairment on the brand value and/or goodwill. A separate assessment of value in use of brand value and goodwill is not practicable as the future cash flows attached to the cash generating unit pertaining to pre-acquisition of Orient Finance PLC due to the following reasons:

(a) Departments of the two entities have been merged post amalgamation

(b) Certain employees resigned and the remaining employees took over the responsibilities of similar areas where the employees left.

Consequently, the management has taken an approach to assess impairment with a combined approach of both the brand value and goodwill. For this purpose the management assessed the receivable amount of goodwill and brand value in use taking into consideration the future estimated cash flows to equity.

Management determined forecast operating results based on past performance and expectations for the future. 'The pre-tax discount rate used is 12.05% and the growth rate used to extrapolate cash flow projections beyond five years is 3% per annum. Value in Use (VIU) computed based on these data and assumptions support the carrying value of goodwill.

The summary of assessments is as follows:

	Rs.
Value in Use as per management's assessments	3,263,498,789
Carrying value of brand value and goodwill	800,425,746
Carrying value of tangible assets	2,086,504,264
	2,886,950,010

Since the carrying value is less than the value in use, the management concluded that there was no impairment of brand value and goodwill taken together as at 31st March 2021.

24. OTHER INTANGIBLE ASSETS

As at 31st March	2021 Rs.	2020 Rs.
Computer software		
Cost		
Balance at the beginning of the year	11,653,860	11,653,860
Additions during the year	51,056,741	-
Balance at the end of the year	62,710,601	11,653,860
Accumulated amortization		
Balance at the beginning of the year	10,848,389	10,148,430
Amortized during the year	1,198,092	699,959
Balance at the end of the year	12,046,481	10,848,389
Carrying amount as at 31st March	50,664,120	805,471

25. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Motor vehicles Rs.	Total Rs.
Balance as at 01st April, 2020	84,713,940	104,953,355	135,361,017	1,141,875	326,170,187
Additions during the year	19,887,699	24,930,148	9,079,999	320,000	54,217,846
Written-off for the year	(51,269,391)	(58,813,667)	-	(845,483)	(4,260,773)
Disposals during the year	(1,924,987)	(1,767,438)	(568,348)		(110,528,541)
Balance as at 31st March 2021	51,407,261	69,302,398	143,872,668	616,392	265,198,719
Accumulated depreciation					
Balance as at 01st April, 2020	55,961,947	73,660,280	120,225,287	1,141,875	250,989,389
Charge for the year	12,063,202	(14,158,187)	9,404,676	46,453	35,672,518
Written off	(35,142,621)	(43,053,492)			(79,041,596)
On disposals	1,916,819	(1,767,438)	(542,705)	(845,483)	(4,226,962)
Balance as at 31st March 2021	30,965,709	42,997,537	129,087,258	342,845	203,393,349
Carrying amount as at 31st March 2021	20,441,552	26,304,861	14,785,410	273,547	61,805,370
Carrying amount as at 31st March 2020	28,751,993	31,293,075	15,135,730	-	75,180,798

25.1 Based on the assessment of potential impairment carried out internally for property, plant and equipment as at 31st March 2021, the Board of Directors has decided to write of furniture and fittings and office equipment with a carrying value of Rs. 31,886,945/- as at 31st March 2021.

25.2 Property, plant and equipment included fully depreciated assets having a gross amount of Rs.171,125,250/- as at 31st March, 2021. (31st March 2020 - Rs.208,642,829/-).

25.3 There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (20190/2020 - nil).

25.4 There were no restrictions on the title of the property, plant and equipment as at 31st March, 2021.

25.5 There were no items of property, plant and equipment pledged as security as at 31st March, 2021.

25.6 There were no temporary idle items of property, plant and equipment as at 31st March, 2021.

26. RIGHT-OF-USE-ASSETS

As at 31st March	2021 Rs.	2020 Rs.
Cost		
Balance at the beginning of the year	158,078,230	-
Day 01 impact on adoption of SLFRS 16	-	158,078,230
Addition made during the year	32,480,346	-
Balance at the end of the year	190,558,576	158,078,230
Accumulated amortization		
Balance at the beginning of the year	29,183,673	-
Charge for the year	32,207,083	29,183,673
Balance at the end of the year	61,390,756	29,183,673
	129,167,820	128,894,557

27. INVESTMENT PROPERTIES

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	538,250,002	400,600,002
Additions during the year (Note 27.1)	50,224,151	132,250,000
Fair value gain on Investment properties	39,525,849	5,400,000
Balance at the end of the year	628,000,002	538,250,002

27.2 THE DETAILS OF LANDS AND BUILDINGS

Location and address	Land Extent (Perches)	Building Area (Sq.Ft)	Value as at 31st March 2021 (Rs.)	Value as at 31st March 2020 (Rs.)
38, Station Road, Matara	37.8	9,400	130,000,000	126,000,000
197/4, Galle Road, Kalutara	39.87	36,141	283,000,000	280,000,000
Eluwila, Panadura	A1-R3-P22	-	90,000,000	90,000,000
3rd Lane, Pubudu Kreedangana Mawatha, Halbarawa, Malabe	R1-P11	2,623	45,000,000	42,250,000
Homagama, Kuruduwaththe wala kumbure peellewa.	1A-R3-P32		38,000,000	-
Katupotha, Dambulla	R1-P32.62		22,000,000	-
Kaluwarippuwa, Katana	A01.R1.P32		20,000,000	-
Total			628,000,002	538,250,000

28. DEPOSITS FROM CUSTOMERS

As at 31st March	2021 Rs.	2020 Rs.
Fixed deposits (Note 28.1)	8,642,382,922	8,956,019,504
Savings deposits	50,558,011	64,612,727
	8,692,940,933	9,020,632,231

28.1 FIXED DEPOSIT

As at 31st March	2021 Rs.	2020 Rs.
Public deposits	8,376,159,628	8,662,171,507
Interest accrued	266,223,294	293,847,997
Public deposits at amortized cost	8,642,382,922	8,956,019,504

28.2 Rs. 6,880,497,933/- (2019/2020 - Rs.6,231,868,863/-) of deposits from customers are expected to be matured after a 12 months period from the reporting date, 31st March, 2021.

29. INTEREST BEARING BORROWINGS

As at 31st March	2021 Rs.	2020 Rs.
Institutional borrowings (Note 29.1)	2,650,800,328	3,038,038,298
	2,650,800,328	3,038,038,298

29.1 MOVEMENT IN INSTITUTIONAL BORROWINGS

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	2,968,063,206	2,043,385,377
Obtained during the year	3,018,000,000	7,283,733,568
Payments made during the year	(3,417,212,273)	(6,359,055,739)
Balance before adjusting for amortized interest (Note 29.3)	2,568,850,933	2,968,063,206
Net effect on amortized interest payable (Note 29.3)	81,949,395	69,975,092
Balance at the end of the year	2,650,800,328	3,038,038,298

29.2 INTEREST BEARING BORROWINGS - CURRENT AND NON-CURRENT

As at 31st March	2021 Rs.	2020 Rs.
Payable within one year	2,145,843,328	2,251,584,961
Payable after one year (1 -5 years)	504,957,000	786,453,337
	2,650,800,328	3,038,038,298

29.3 INSTITUTIONAL BORROWINGS

Bank	Facility amount Rs.	Capital outstanding as at 31.03.2021 Rs.	Finance cost payable as at 31.03.2021 Rs.	Total payable at amortized cost as at 31.03.2021 Rs.	Tenure of loan (months)
Long-term loans					
Union Bank PLC	318,750,000	265,625,000	101,884	265,726,884	48
Pan Asia Banking Corporation PLC	68,209,801	54,567,841	403,653	54,971,494	24
Bank of Ceylon	595,803,026	447,972,200	207,646	448,179,846	36
Cargills Bank PLC	237,396,002	175,848,890	207,646	176,056,536	36
Medium term loans					
Sampath Bank PLC					
Nations Trust Bank PLC	51,561,572	34,375,000	99,902	34,474,902	24
Short-term loans - Revolving					
National Development Bank PLC	360,000,000	300,000,000	1,278,603	301,278,603	Revolving
Union Bank PLC	240,000,000	200,000,000	372,603	200,372,603	Revolving
Pan Asia Banking Corporation PLC	250,000,000	202,558,305	295,890	202,854,195	Revolving
Securitization					
Hatton National Bank PLC	190,428,405	108,209,022	26,016,136	134,225,158	36
First Capital Trust	1,158,820,491	779,694,675	52,965,432	832,660,107	36
		2,568,850,932	81,949,395	2,650,800,328	

30. TERM DEBTS

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	-	1,000,000,000
Redeemed during the year		(1,000,000,000)
Balance at the end of the year	-	-
Initial cost on debentures	-	-
Net effect on amortized interest payable	-	-
	-	-

31. REDEEMABLE PREFERENCE SHARES

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	-	400,049,600
Converted to ordinary shares	-	(399,896,300)
Redeemed during the year	-	(153,300)
Balance at the end of the year	-	-
Net effect on amortized interest payable	-	-
	-	-

32. LEASE LIABILITY-RIGHT-OF-USE-ASSETS

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	117,941,195	-
Day 01 impact on adoption of SLFRS 16	-	158,078,230
During the year additions	32,480,347	-
Interest charge for the year	21,289,888	19,028,537
Payment made during the year	(67,336,244)	(59,165,572)
	104,375,186	117,941,195
Payable within one year	32,125,850	38,917,796
Payable after one year	72,249,336	79,023,399
	104,375,186	117,941,195

33. OTHER LIABILITIES

As at 31st March	2021 Rs.	2020 Rs.
Vendor payable	191,907,480	136,136,161
Insurance payable	44,135,171	49,419,932
Accrued expenses and other payable	186,363,072	244,744,532
Real estate advances	12,481,244	12,312,244
	434,886,967	442,612,869

34. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	42,587,258	50,305,976
Amount recognized in the total comprehensive income (Note 34.1)	7,125,000	10,937,109
Payments during the year	(9,907,520)	(18,655,827)
Balance at the end of the year	39,804,738	42,587,258

34.1 THE AMOUNT RECOGNISED IN THE TOTAL COMPREHENSIVE INCOME IS AS FOLLOWS:

As at 31st March	2021 Rs.	2020 Rs.
Interest cost	4,133,038	5,178,908
Current service cost	2,761,549	5,038,250
Actuarial gain /(loss) recognized	230,413	719,951
	7,125,000	10,937,109

34.2 An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2021 by Actuarial and Management Consultants (Pvt) Ltd. The company has estimated its gratuity liability as at 31st March 2021 based on the forecast given by the actuarier using the census and assumptions as at 31st March 2021.

The principal assumptions used were as follows:

As at 31st March	2021	2020
Discount rate	7.00%	10.5%
Future salary increases	8%	8%
Staff turnover factor	37%	41%
Retirement age	55 years	55 years

34.3 SENSITIVITY OF ASSUMPTIONS EMPLOYED IN ACTUARIAL VALUATION

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the income statement and the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase/decrease in discount rate	Increase/decrease in salary increment	2020/2021 Sensitivity effect on income statement increase/(reduction) in results for the year Rs.	2020/2021 Sensitivity effect on income statement increase/(reduction) in results for the year Rs.
1%	-	(978,107)	(756,660)
(-1%)	-	1,034,673	796,885
-	1%	1,158,408	944,668
-	(-1%)	(1,114,942)	(912,737)

35. STATED CAPITAL

As at 31st March	2021 Rs.	2020 Rs.
Ordinary shares (Note 34.1)	2,431,879,039	2,431,879,039
	2,431,879,039	2,431,879,039
No.of shares (Note 35.2)	211,101,155	211,101,155

35.1 MOVEMENT IN ORDINARY SHARES

As at 31st March	2021 Rs.	2020 Rs.
At the beginning of the year	2,431,879,039	1,378,689,779
Add : Conversion of redeemable preference shares and interest accrued	-	546,546,486
Right issue of ordinary shares	-	506,642,774
At the end of the year	2,431,879,039	2,431,879,039

35.2 MOVEMENT IN NUMBER OF SHARES

As at 31st March	2021 Rs.	2020 Rs.
At the beginning of the year	211,101,155	148,018,370
Add : Conversion of preference shares and interest to Ordinary Shares	-	27,889,259
Right issue of shares	-	35,183,526
At the end of the year	211,101,155	211,101,155

35.3 CONVERSION OF PREFERENCE SHARES TO ORDINARY VOTING SHARES

The company has conventual preference shares into 23,993,778/- ordinary shares at the ratio of six (06) ordinary shares for every one (01) preference share at a value of Rs.19.59 per ordinary share. Additionally 3,905,481 fully paid shares have been issued in respect of preference share dividend amounting to Rs. 76,508,375/- calculated at Rs. 19.59 per ordinary share. The issued ordinary shares have been listed in the Colombo Stock Exchange (CSE) on 11th September 2019.

35.4 RIGHT ISSUE OF SHARES

The company has issued 35,183,526 ordinary voting shares in the proportion of one (1) new ordinary voting share for every five (5) ordinary voting shares in the capital of the company by way of a Rights Issue amounting to Rs. 506,642,774/- to the holders of the issued ordinary voting shares of the company at a price of Rs. 14.40 per share. The issued ordinary shares have been listed in the Colombo Stock Exchange (CSE) on 28th February 2020.

35.5 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.

35.6 All ordinary shares rank equally with regard to the company's residual assets.

36. STATUTORY RESERVE FUND

As at 31st March	2021 Rs.	2020 Rs.
At the beginning of the year	311,080,742	306,478,542
Transfer during the year	19,356,288	4,602,200
At the end of the year	330,437,030	311,080,742

36.1 Statutory reserve fund is a capital reserve which contains profits transferred as required by Section 3 (b) (i) of Finance Companies Capital Funds Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka.

37. REVALUATION RESERVE

As at 31st March	2021 Rs.	2020 Rs.
At the beginning of the year	141,120,773	141,120,773
At the end of the year	141,120,773	141,120,773

38. OTHER RESERVES

38.1 FAIR VALUE RESERVE

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	-	1,069,031
Gain on fair value of financial assets	-	(1,069,031)
Balance at the end of the year	-	-

39. FINANCIAL REPORTING BY SEGMENTS

BUSINESS SEGMENTS

The company has five reportable segments, as described below, which are the company's strategic divisions. The strategic divisions offer different products and services, which are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the company's management reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the company's reportable segments.

a) Hire purchase, finance leasing- Provision of hire purchase and leasing facilities to customers
b) Loans - Provision of Loan facilities to customers
c) Factoring - Debt factoring
d) Pawning - Provision of loans against gold
e) Other

For the year ended 31st March	Finance leases, Hire purchases		Loans	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Interest income	1,792,099,417	2,255,114,756	153,740,816	297,775,883
Fee and commission income	77,371,335	93,352,818	3,109,202	-
Other income	54,497,653	24,232,575	-	-
Total segmental income	1,923,968,405	2,372,700,149	156,850,018	297,775,883
Less: Interest expense	(959,058,164)	(1,299,804,654)	(78,186,466)	(163,126,588)
Segmental results	964,910,241	1,072,895,495	78,663,552	134,649,295
Depreciation and amortization	(49,670,072)	(45,923,008)	(4,049,314)	(5,763,376)
Impairment charge	(9,022,286)	(784,514,837)	(45,150,930)	(154,154,297)
Other Expenses	(648,963,896)	(601,505,796)	(52,906,273)	(75,489,488)
Value Added Tax and NBT on financial services	(47,666,405)	(8,420,141)	(3,885,966)	(1,056,735)
Profit/(loss) after tax	209,587,582	(367,468,286)	(27,328,931)	(101,814,601)
Segmental assets	9,953,838,908	8,969,772,689	1,161,026,946	1,411,496,089
Segmental liabilities	8,023,810,476	7,415,182,215	935,906,263	1,166,863,538

Factoring		Pawning		Other		Total	
2021	2020	2021	2020	2021	2020	2021	2020
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
18,280,832	51,007,077	429,681,125	334,202,952	47,241,809	114,577,128	2,441,043,999	3,052,677,796
1,921,243	5,335,697	-	-	40,131,713	64,113,555	122,533,493	162,802,070
-	-	-	-	57,646,736	45,525,119	112,144,389	69,757,694
20,202,075	56,342,774	429,681,125	334,202,952	145,020,258	224,215,802	2,675,721,881	3,285,237,560
(10,070,313)	(30,865,510)	(214,187,088)	(183,081,943)	(72,289,577)	(122,829,150)	(1,333,791,609)	(1,799,707,844)
10,131,762	25,477,264	215,494,037	151,121,009	72,730,681	101,386,652	1,341,930,272	1,485,529,716
(521,546)	(1,090,500)	(11,092,850)	(6,468,413)	(3,743,911)	(4,339,640)	(69,077,693)	(63,584,937)
(451,893,390)	(71,286,151)	(11,691,935)	(4,833,911)	-	-	(110,464,561)	(1,014,789,196)
(6.814.258)	(14,283,518)	(144,933,532)	(84,724,154)	(48,916,038)	(56,841,192)	(902,533,998)	(832,844,148)
(500,507)	(199,947)	(10,645,370)	(1,186,006)	(3,592,884)	(795,688)	(66,291,132)	(11,658,516)
(42,309,939)	(61,382,852)	37,130,330	53,908,526	16,477,848	39,410,132	193,562,888	(437,347,081)
148,784,116	282,716,551	2,224,732,482	1,675,312,743	1,400,536,168	3,298,237,686	14,888,918,620	15,637,535,758
119,935,189	233,717,711	1,793,361,532	1,384,956,976	1,128,975,150	2,726,605,710	12,001,988,610	12,927,326,149

40. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	Less than 3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total 2021	Total 2020
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
ASSETS							
Cash and cash equivalents	225,161,509	-	-	-	-	225,161,509	70,618,412
Financial assets at fair value through other comprehensive income	849,632,814	-	-	-	-	849,632,814	934,478,086
Loans and receivables to customers	1,496,045,000	4,673,633,601	4,142,271,073	1,129,239,000	5,841,664	11,447,030,340	12,339,298,071
Investments with banks and other financial institutions	-	31,684,600	-	-	-	31,684,600	82,492,401
Other assets	269,749,727	-	-	-	-	269,749,727	279,432,153
Real estate stock	-	24,764,518	-	-	-	24,764,518	16,772,709
Deferred tax asset	-	-	-	370,832,054	-	370,832,054	370,887,353
Brand value	-	-	-	-	235,880,000	235,880,000	235,880,000
Goodwill	-	-	-	-	564,545,746	564,545,746	564,545,746
Intangible assets	-	-	-	-	50,664,120	50,664,120	805,470
Property, plant and equipment and Right-of-use of Assets	-	-	-	-			204,075,355
Right-of-use of Assets					190.973.190	190.973.190	-
Investment properties	-	-	-	-	628,000,002	628,000,002	538,250,002
Total assets	2,840,589,043	4,730,082,719	4,142,271,075	1,500,126,353	1,675,904,722	14,888,918,620	15,637,535,758
LIABILITIES							
Bank overdrafts	79,180,458	-	-	-	-	79,180,458	265,514,298
Deposits from customers	2,635,248,932	4,245,249,000	1,573,210,000	239,233,000	-	8,692,940,932	9,020,632,231
Interest bearing borrowings	795,317,328	1,350,526,000	504,957,000	-	-	2,650,800,328	3,038,038,298
Lease Liability - Right-of- use assets	-	-	-	-	104,375,186	104,375,186	117,941,195
Other liabilities	422,405,723	12,481,240	-	-	-	434,886,967	442,612,869
Retirement benefit obligations	-	-	-	-	39,804,738	39,804,738	42,587,258
	3,932,152,442	5,608,256,244	2,078,167,000	239,233,000	144,179,924	12,001,988,610	12,927,326,149
Maturity Gap	(1,091,563,399)	(878,173,525)	2,064,104,075	1,260,893,353	1,531,724,798		

41. RELATED PARTY TRANSACTIONS

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

41.1 PARENT AND ULTIMATE CONTROLLING PARTY

The parent and ultimate controlling party of the company is Janashakthi (Pvt) Limited.

41.2 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. 5,175,000/- (2019/2020 - Rs. 5,900,000/-) to the directors as emoluments, of which all are comprised of short term employment benefits and no post-employment benefits have been paid during the year (2019/2020 – Nil). There are no direct transactions, arrangements and agreements involving key management personnel of the company other than disclosed in other related party transactions.

The company accepts and holds fixed deposits from key management personnel and their relatives in the normal course of its business and the amount outstanding on such deposits as at 31st March 2021 is Rs.123,250,000/-(2019/2020-Rs.152,250,000/-).

41.3 OTHER RELATED PARTY TRANSACTIONS

The following transactions have been carried out with related parties during the year ended 31st March, 2021.

41.3.1 Recurrent Related Party Transactions

Company	Relationship	Nature of Transactions	Rs.	Aggregate value of related party transactions as a % gross revenue/income	Terms and conditions of the related party transactions
Janashakthi Insurance PLC	Affiliate	Rent and utility paid	(21,293,147)	(1)%	As per the rent agreements
		Payments for Inhouse insurance policies	(8,191,397)	0%	As per the insurance policies
		Rent income received	1,512,000	0%	As per the rent agreements
		Life insurance payments for customers	(13,950,763)	(1)%	As per the insurance policies
Orient Capital Limited	Affiliate	Reimbursement of collections on assigned debtors	(4,427,124)	0%	As per the agreements
Kelsey Homes (Private) Limited	Affiliate	Repayment of loans	111,842,916	4%	As per the agreements
First Capital Limited	Affiliate	Obtained business loan	462,500,000	17%	As per the agreements
		Repayment of loans	(317,194,675)	(12)%	As per the agreements
KHL CORPORATE SERVICES Limited	Affiliate	Payments for secretary function	(726,024)	0%	

41.3.2 Non-Recurrent Related Party Transactions

The company has entered in to following non-recurrent related party transactions which are below the specified treashold as given under CSE listing rules.

Transactions - Statements of Comprehensive Income (from 01 April 2020 To 31 March 2021)

Name of the Related Parties	Relationship	The rationale for entering into the transaction	Value of Related Party Transaction entered during the financial year Rs.
First Capital Limited	Affiliate	Managers fees	2,466,233
First Capital Trustee Services (Pvt) Limited	Affiliate	Trustee fee	50,000
First Capital Markets Limited	Affiliate	Professional fee	150,000
Janashakthi Limited	Parent	Guarantee Fee	1,240,651

42. CAPITAL COMMITMENTS

The company does not have material capital commitments outstanding as at the reporting date.

43. 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 assessments on Value Added Tax on Financial Services amounting to Rs. 285,573,002/- (including penalties of Rs. 119,046,115/-) and the Board of Directors is confident that there will not be any additional tax liability on that.

44. 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.28 to the financial statements.

Funding Institution	Nature of assets	Nature of liability	Balance Outstanding as at 31st March 2021	Value of assets pledged (Rs.)	Included under
Bank of Ceylon	Lease Receivable	POD	573,110	66,500,000	Future Rental Receivable
Commercial Bank of Ceylon PLC	Lease Receivable	POD	64,873,241	253,500,000	Future Rental Receivable
Hatton National Bank PLC	Lease Receivable	POD	8,091,875	32,500,000	Future Rental Receivable
Seylan Bank PLC	Lease Receivable	POD	2,896,578	127,500,000	Future Rental Receivable
DFCC Bank PLC	Lease Receivable	POD	1,618,354	97,500,000	Future Rental Receivable
Cargills Bank PLC	Lien over Savings Account Balance	POD	1,127,300	50,000,000	Lien over Savings A/C Balance
Hatton National Bank PLC - Trust 02	Lease Receivable	Securitization	81,209,022	143,709,826	Future Rental Receivable
Hatton National Bank PLC - HNB Trust 03	Lease Receivable	Securitization	25,000,000	43,727,884	Future Rental Receivable
Hatton National Bank PLC - HNB Trust 04	Lease Receivable	Securitization	2,000,000	2,990,694	Future Rental Receivable
First Capital Treasuries PLC - Trust 01	Lease Receivable	Securitization	317,194,675	501,547,682	Future Rental Receivable
First Capital Treasuries PLC - Trust 02	Gold Loan Receivable	Securitization	462,500,000	657,272,809	Future Rental Receivable
National Development Bank PLC	Lease Receivable	Short Term Revolving	300,000,000	360,000,000	Future Rental Receivable
Nations Trust Bank PLC	Lease Receivable	Medium Term Loan	34,375,000	51,561,572	Future Rental Receivable
Pan Asia Banking Corporation PLC	Lease Receivable	Short Term Revolving	202,558,305	250,000,000	Future Rental Receivable
Cargills Bank PLC	Lease Receivable	Term Loan	175,848,890	237,396,002	Future Rental Receivable
Bank of Ceylon	Lease Receivable	Term Loan	447,972,200	595,803,026	Future Rental Receivable
Pan Asia Banking Corporation PLC	Lease Receivable	Term Loan	54,567,841	68,209,801	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	Short Term Revolving	Not utilized	133,000,000	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	Term Loan	265,625,000	318,750,000	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	Short Term Revolving	200,000,000	240,000,000	Future Rental Receivable

44.1 In the ordinary course of the business, the company entered into transactions that resulted in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

44.2 The company has transferred future rental receivable of lease and hire purchases, but has retained substantially all of the credit risks associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within lease rental receivable and stock out on hire.

45. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosures, in the financial statements.

46. COMPARATIVE INFORMATION

Comparative information of the financial statements has been re-classified wherever necessary to conform to the current year's presentation/classification.

47. DIRECTORS' RESPONSIBILITY

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

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

The number of employees of the company as at 31st March 2021 is 441 (2020 - 509).

49. 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.

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets - fair value through other comprehensive income				
Government securities	782,877,214	-	-	782,877,214
Investments in unquoted shares	-	230,600	-	230,600
Investments in quoted shares	66,525,000	-	-	66,525,000
	849,402,214	230,600	-	849,632,814

49. 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 31 March	2021		2020	
	Carrying Value (Rs.)	Fair Value (Rs.)	Carrying Value (Rs.)	Fair Value (Rs.)
ASSETS				
Cash and cash equivalents	225,161,509	225,161,509	70,618,412	70,618,412
Loans and receivables to customers	11,447,030,340	11,447,030,340	12,339,298,071	12,339,298,071
Investments with banks and other financial institutions	31,684,600	31,684,600	82,492,401	82,492,401
	11,703,876,449	11,703,876,449	12,492,408,884	12,492,408,884
LIABILITIES				
Bank overdrafts	79,180,458	79,180,458	265,514,298	265,514,298
Deposits from customers	8,692,940,933	8,692,940,933	9,020,632,231	9,020,632,231
Interest bearing borrowings	2,650,800,328	2,650,800,328	3,038,038,298	3,038,038,298
	11,422,921,719	11,422,921,719	12,324,184,827	12,324,184,827

Given below is the methodologies and assumptions used in fair value estimates.

Cash and cash equivalents

The carrying amounts of cash and cash equivalents, approximate their fair value as those are short-term in nature and are receivable on demand.

Investments with banks and other financial institutions

The carrying amounts of fixed deposits with banks and other reverse repurchase agreements, approximate their fair value as those are short-term in nature. Almost all of these balances have a remaining maturity of less than six months from the reporting date.

Loans and receivables to customers

Fair value of the loans and receivables to customers is the present value of future cash flows expected to be received from such loans and receivables calculated based on interest rates at the reporting date for similar types of loans and receivables. The company calculated the fair value of the loans and receivables to customers based on interest rates at the reporting date for similar types of loans and receivables. Accordingly, fair value of such loans does not materially differ from its carrying value amounting to Rs. 11,447,030,340/-.

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

Interest bearing borrowings

Interest bearing borrowings include both the fixed rate and floating rate borrowings. Floating rate borrowings represent nearly 62% 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 has 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.

51. 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 the best options which minimize the risk is decide. 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

51.1 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 practices throughout the company in the management of credit risk.

VI During the early stages COVID-19 Pandemic, the company conducted an in-depth analysis on the probable industries which would get affected and the scale of impact it may have on company's lending portfolio. The spread of COVID-19 in Sri Lanka stressed the importance of diversification of the company's ledning portfolio across a wide range of industries which in turn would ensure the resilience of the company in an economic shock of this nature. The company is comfortable with the existing composition of its loan portfolio and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky economic segments..

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

As at 31st March	2021 Rs.	2020 Rs.
Loans and advance to customers		
Carrying amount at amortized cost		
Individually significant impaired loans and advances (Note 51.1.1)	3,142,569,589	1,482,319,810
Carrying amount of unimpaired loans and advances (Note 51.1.2)	8,304,460,751	10,856,978,264
	11,447,030,340	12,339,298,074

51.1.1 Individually significant impaired loans and advances

As at 31st March	2021 Rs.	2020 Rs.
Gross receivable	3,836,781,884	3,098,285,547
Allowance for impairment	(694,212,295)	(1,615,965,738)
Individually significant impaired loans and advances	3,142,569,589	1,482,319,809

51.1.2 Individually significant unimpaired and individually not significant

As at 31st March	2021 Rs.	2020 Rs.
Gross receivable	8,652,411,355	11,564,429,481
Allowance for collective impairment	(347,950,604)	(707,451,217)
Carrying amount of unimpaired loan advances	8,304,460,751	10,856,978,264

Write-off policy

The company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the company's 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 so that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

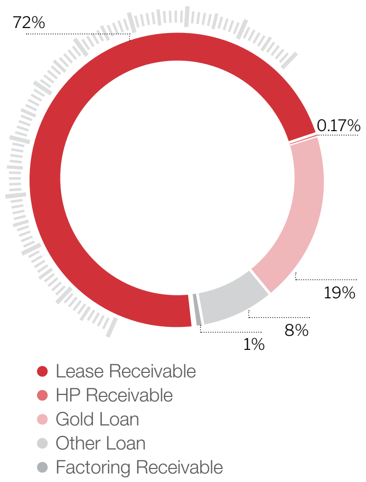
Concentration of credit risk

The company monitors concentrations of credit risk by sector and by geographic location.

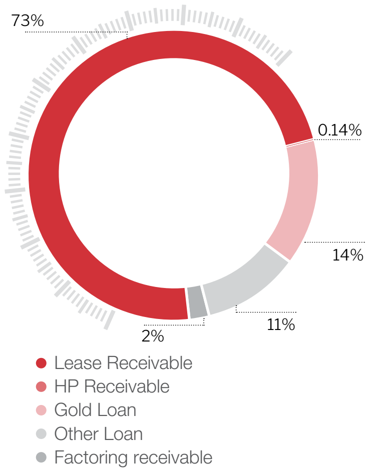
An analysis of concentrations of credit risk from loans and advances and investment securities at the reporting date is shown below:

Product concentration

Product Concentration 2021



Product Concentration 2020



51.2 LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities to ensure that sufficient liquidity is maintained within the company as a whole.

The daily liquidity position is monitored and regular liquidity stress testing conducted under a variety of scenarios covering both the normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the company and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO which in turn submit monthly summary to the board.

The company relies on deposits from customers and bank borrowings as its primary sources of funding. While the company's debt securities and subordinated liabilities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the company's liquidity risk and the company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends and maintaining 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 following month. A similar, but not identical, calculation is used to measure the company's compliance with the liquidity limit established by the company's lead regulator, CBSL. Details of the reported company ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

As at 31st March	2021 Rs.	2020 Rs.
Time deposits	8,642,382,922	8,956,019,504
Saving deposits	50,558,011	64,612,727
Unsecured borrowings	6,172,000	265,514,298
Available liquid assets	1,039,757,323	1,074,649,158
Cash in hand	138,317,736	62,617,606
Balances in current accounts (favourable)	86,843,773	16,645,000
Deposits in commercial banks	31,718,600	61,139,066
Approved securities	782,877,214	934,247,486
Average month end deposit liabilities	9,588,651,000	11,174,273,000
Average month end outstanding borrowings	1,093,273,000	1,199,119,000
	10,681,924,000	12,373,392,000
Required minimum amount of liquid assets	872,439,194	934,987,559
10% of fixed deposits	864,238,292	895,601,950
15% of savings deposits	7,583,702	9,691,909
10% of unsecured borrowings	617,200	30,983,700
Required minimum amount of approved securities Period 1/4/2020 to 31/03/2021 , fixed deposit 6%, borrowing 5% and savings deposit 10%	518,302,081	618,669,600

Maturity analysis for financial liabilities

Contractual maturity of the assets and the liabilities of the company is disclosed in the note 40 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.

51.3 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 6.5% of the total risk weighted assets and Tier 2 is 10.5% of the total risk weighted assets.

The company's Capital Adequacy Ratios as at 31st March 2021 were 9.71% (2020 - 10.23%) and 11.13% (2020 - 11.66%) for Tier I and Tier II respectively.

51.4 MARKET RISK

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. As the company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk to the company.

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

Market risk is identified by the company as the possibility of loss to the company caused by changes in the market variables. Market risk mainly includes interest rate risk, liquidity risk, foreign exchange risk and country risk.

51.4.1 Interest rate risk

Interest rate risk is the potential negative impact on the net interest income based on rate fluctuations and impact to the profitability of the company. The movements in interest rates expose to fluctuations in Net Interest Income (NII) and have the potential to impact the underlying value of interest earning assets and interest-bearing liabilities and off-balance sheet items. The main types of IRR to which the company is exposed to are repricing risk, yield curve risk and basis risk. The company does not have variable interest rates and all facilities granted are on fixed interest rates. The global outbreak of COVID-19 pandemic has resulted in consecutive reductions in policy rates and monetary easing policies by the Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

When all borrowings and lending are done on fixed rates the net interest margin is affected due to the following reasons:

Maturity mismatch/GAP

One of the major concerns in financial business is the maturity mismatch, where the average loan period is over 2 years whilst the average deposit period is less than one year. Hence, where the interests are on an increasing trend the company's net interest margin will reduce.

Please refer note 40 to the financial statements for the maturity analysis.

Re-Investment risk

These are uncertainties with regard to interest rate at which the future cash flows could be re-invested. On an increasing trend, this would be beneficial for the company.

Net interest position

When the market rates are on a downward trend and the company's earning assets are higher than its liabilities, the risk of net interest position falling is high.

51.4.2 Liquidity risk

Liquidity is the ability to efficiently accommodate deposit as also reduction in liabilities and to fund the loan growth and possible funding of the off-balance sheet claims. Liquidity risk arises through maturity mismatch of loans and deposits.

The company considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of company-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

51.4.3 Foreign exchange (FOREX) and country risk

FOREX is the risk that finance companies may suffer loss as a result of adverse exchange rate movements. Country risk is the risk that arises due to cross border transactions. The uncertainty caused by the COVID 19 pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, since Orient Finance PLC does not have any foreign borrowings or foreign transactions overseas except for Oracle financials licensing fee, the company concludes that COVID-19 impact on FOREX is not substantial on the company to conduct in-depth analysis. However, there is a slight impact when budgeting for this cost. The above risks are triggered by the treasury operations.

SUPPLEMENTARY INFORMATION

TEN YEAR ACHIEVEMENTS

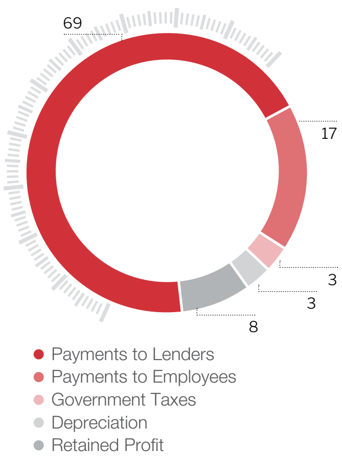
For the year ended 31st March	2021	2020	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results				
Income	2,675,722	3,285,238	3,493,414	3,496,109
Interest Income	2,441,044	3,052,678	3,239,038	3,311,049
Interest Expenses	(1,333,792)	(1,799,708)	(1,949,919)	(2,116,907)
Net Interest Income	1,107,252	1,252,970	1,289,119	1,194,142
Operating Expenses & Provisions	(1,148,367)	(1,922,877)	(1,511,619)	(1,482,920)
Profit Before Income Tax	193,563	(437,347)	31,875	(103,718)
Income Tax on Profit	-	-	(2,846)	(6,528)
Profit for the year	193,563	(437,347)	29,029	(110,246)
Balance Sheet Information				
Assets				
Loans & Advances to Customers	11,447,030	12,339,298	14,033,760	14,504,334
Financial Investments - Held to Maturity		-	-	-
Financial Investments - Available for Sale	849,633	934,478	936,940	945,559
Cash and Cash Equivalents	225,162	70,618	181,742	195,581
Property, Plant & Equipment and Investment Assets	740,469	613,431	478,764	415,618
Other Assets	1,626,680	1,679,713	1,728,438	2,054,602
Total Assets	14,888,918	15,637,538	17,359,644	18,115,694
Liabilities				
Deposits from Customers	8,692,941	9,020,632	10,479,531	11,852,625
Borrowings	2,729,981	3,038,038	2,091,869	1,806,790
Debentures and Preference Shares	-	-	1,524,483	1,454,471
Other Liabilities	579,067	868,655	1,097,261	653,390
Total Liabilities	12,001,988	12,927,326	15,193,144	15,767,276
Capital Employed				
Stated Capital	2,431,879	2,431,879	1,378,690	1,378,690
Retained Profit & Reserve Fund	455,051	278,331	787,810	969,728
Total Capital Employed	2,886,930	2,710,210	2,166,500	2,348,418
Ratios and Related Information				
Operating Ratios				
ROE	3.46%	(17.94%)	1.29%	(4.53%)
ROA- Before Tax	7.61%	(2.65%)	0.18%	(0.55%)
Gross Profit Margin	41.38%	38.14%	36.90%	34.16%
Net Profit Margin	7.23%	(13.31%)	0.83%	(3.14%)
Income Growth	(18.55%)	(5.96%)	(0.08%)	5.63%
Profit Growth	226.00%	(1606.59%)	(126.33%)	(142.64%)
Assets Growth	(4.79%)	(9.92%)	(4.17%)	(6.86%)
Net Assets Growth	6.52%	25.10%	(7.75%)	(6.05%)
Gearing Ratios				
Debt to Equity - Times	3.96	4.45	6.51	6.44
Interest Cover - Times	1.15	0.76	1.02	0.95
Investor Ratios				
Basic earnings per share - (Rs.)	0.92	(3.06)	0.20	(0.74)
Net assets value per share - (Rs.)	13.68	12.84	14.64	15.87
Dividend per share - (Rs.)	-	-	-	0.25
Dividend Cover - Times	N/A	N/A	N/A	N/A
Dividend Payout ratio	-	-	-	-

2017	2016	2015	2014	2013	2012 (Restated)
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
3,309,736	2,363,152	1,362,664	1,605,010	1,552,160	1,178,760
3,128,709	2,229,746	1,283,087	1,465,703	1,336,170	1,054,055
(1,836,496)	(1,096,453)	(805,279)	(1,039,248)	(964,202)	(614,026)
1,292,213	1,133,293	477,807	426,455	371,969	440,029
(1,171,760)	(970,838)	(553,203)	(495,380)	(566,782)	(474,212)
301,479	295,861	4,182	70,381	21,177	90,522
(43,803)	311,012	-	(13,014)	(13,625)	(16,416)
257,676	606,873	4,182	57,367	7,552	74,105
16,416,103	13,839,304	4,987,749	5,615,826	5,323,316	4,981,731
-	-	-	1,165,133	1,061,579	729,076
839,887	756,124	592,105	11,120	186,024	355,016
107,894	231,678	194,035	200,985	161,989	118,154
421,315	438,736	446,864	533,064	292,713	203,261
1,664,830	1,846,840	585,231	334,015	677,506	601,801
19,450,029	17,112,682	6,805,984	7,860,144	7,703,127	6,989,039
9,565,559	9,249,312	5,746,847	6,463,960	5,747,762	5,075,410
4,815,150	3,262,738	31,760	378,751	923,320	1,032,409
1,392,671	1,176,913	204,000	204,000	204,000	204,000
1,176,922	1,180,738	253,377	252,020	323,997	237,508
16,950,302	14,869,701	6,235,984	7,298,731	7,199,080	6,549,327
1,378,690	1,378,690	306,025	306,025	306,025	61,205
1,121,037	864,291	263,974	255,388	198,021	378,507
2,499,727	2,242,981	569,999	561,413	504,046	439,712
10.87%	43.15%	0.74%	10.77%	1.60%	14.33%
1.65%	2.47%	0.06%	0.90%	0.29%	1.52%
39.04%	47.96%	35.06%	26.57%	23.96%	37.33%
7.79%	25.68%	0.31%	3.57%	0.49%	6.29%
40.06%	73.42%	(15.10%)	3.40%	31.68%	2.43%
(57.54%)	14412.19%	(92.71%)	659.63%	(89.81%)	(66.63%)
13.66%	151.44%	(13.41%)	2.04%	10.22%	43.12%
11.45%	293.51%	1.53%	11.38%	14.63%	(26.02%)
6.31	6.10	10.50	12.55	13.64	14.35
1.16	1.27	1.01	1.07	1.02	1.15
1.74	7.00	0.05	7.50	0.99	9.69
16.89	15.15	7.45	73.38	65.88	57.47
-	-	-	-	0.76	6.00
N/A	N/A	N/A	N/A	1.30	1.61
-	-	-	-	76.99%	61.94%

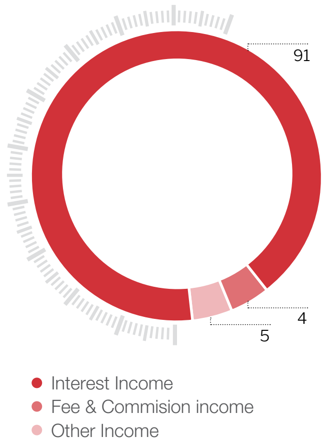
STATEMENT OF VALUE ADDED

	Year 2021 LKR Mn	Year 2020 LKR Mn
Gross Value added	2,676	3,280
Cost of services	(239)	(413)
Provision for Impairment Losses	(110)	(1,015)
	2,326	1,852
Value Allocated		
Payments to lenders	1,597	1,781
Payments to Employees	400	427
Dividends to shareholders	-	-
Government Taxes	66	12
Depreciation	69	63
Retained Profit	194	(430)
	2,326	1,852

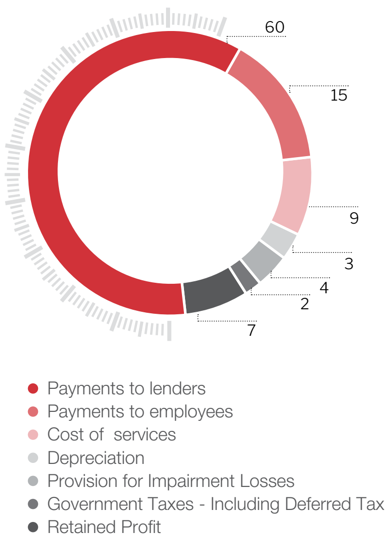
Value Allocated



Source of Income



Utilisation of Income



SOURCE AND UTILISATION OF INCOME

	Year 2021 LKR Mn	Year 2020 LKR Mn
Sources of Income		
Interest Income	2,441	3,053
Fee & Commission income	123	163
Other Income	112	64
	2,676	3,280
Utilization of Income		
Payments to lenders	1,597	1,781
Payments to employees	400	427
Cost of services	239	413
Depreciation	69	63
Provision for Impairment Losses	110	1,015
Government Taxes- Including Deferred Tax	66	12
Retained Profit	194	(430)
	2,676	3,280

SHARE INFORMATION

1. STOCK EXCHANGE LISTING

Orient Finance PLC has listed its shares on the Diri Savi Board of the Colombo Stock Exchange by way of an Initial Public Offering on 18th February 2016.

Stock Exchange code for Orient Finance PLC shares is “BFN”.

2. SHAREHOLDERS INFORMATION

There were 848 registered Voting Shareholders as at 31st March 2021 (2019/2020 - 1056) distributed as follows:

Range	As at 31 March 2021			As at 31 March 2020		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1 - 1000	507	100,575	.048	587	147,626	.069
1,001 - 10,000	186	766,901	.363	280	1,177,764	.558
10,001 - 100,000	120	3,846,927	1.822	162	5,595,943	2.651
100,001 - 1,000,000	31	8,237,959	3.902	25	6,031,029	2.857
Over 1,000,000	4	198,148,793	93.864	2	198,148,793	93.864
Total	848	211,101,155	100.00	1056	211,101,155	100.00

ANALYSIS OF SHAREHOLDERS

As at 31 March	2021		2020	
	No. of Shares	% of Shares	No.. of Shares	% of Shares
Residents	209,897,622	99.420	211,011,844	99.96
Non-Residents	1,203,533	.570	89,311	.04

PUBLIC HOLDING

Public Holding as at 31st March 2021 12,952,282

Number of Public Shareholders as at 31 March 2021 is 838

Public Holding of issued number of shares as at 31 March 2021 is 6.14%

Float adjusted market capitalization (Rs) 180,166,392

According to the option 2 of 7.13.1 (b) of the listing rules the company is non-compliant with the minimum public holding requirement as at 31 March 2019. The company is in the process of taking corrective actions.

3. SHARE PRICE INFORMATION

	2020/21	2019/20
Highest	18.00	12.70
Lowest	11.70	6.00
Close	13.90	6.10

4. INVESTOR RATIOS

As at 31st March	2021 (Rs.)	2020 (Rs.)
Book Value	13.68	12.83
EPS	.92	(3.06)
Price Earnings Ratio	15.10	(1.99)

5. DIRECTORS' INTEREST IN SHARES

The number of shares held by the Directors as at 31st March	2021	2020
Mr. K. M. A. T. B. Tittawella - Chairman	-	-
Mr. Prakash Anand Schaffter	10	10
Ms. Minette D. A. Perera	-	-
Ms. Indrani Goonesekara	-	-
Mr. Ramesh Schaffter	10	10
Mr. Sriyan Cooray	-	-
Mr. R. M. D. J. Ratnayake	-	-

6. CHIEF EXECUTIVE OFFICER'S /DIRECTOR SHAREHOLDING

Mr. K. M. M. Jabir

7. TOP 20 SHAREHOLDERS AS AT 31ST MARCH 2021

Name	No. of Shares	%
Janashakthi Limited	196,010,494	92.85
First Capital PLC	2,138,299	1.013
Sandwave Limited	971,783	0.460
Hatton National Bank PLC/ S. R. Fernando	808,581	0.383
Mr. L. P. Mendis	566,495	0.268
Mr. R. A. B. K. Kumara	500,000	0.237
Mr. N. L. S. Fernando	367,677	0.174
Mrs. I. P. I. L. Gunathilaka	363,571	0.172
Peoples Leasing & Finance PLC/L. P. Hapangama	358,673	0.170
Commercial Credit and Finance PLC	330,000	0.156
Mr. A. S. A. Fernando	316,100	0.150
Peoples Leasing & Finance PLC/Mr. D. M. P. Disanayake	254,821	0.121
Seylan Bank PLC/Karagoda Loku Gamage Udayananda	231,365	0.110
Hatton National Bank PLC/ Mushtaq Mohamed Fuad	221,503	0.105
Mrs. V. Saraswathi	216,100	0.102
Mrs. F. F. Haniffa	215,601	0.102
DFCC Bank PLC/G. A. C. De Silva	211,000	0.100
Mr. M. K. De Livera	207,628	0.098
Mr. S. D. S. Gunasekara	198,938	0.094
Merchant Bank of Sri Lanka & Finance PLC 1	192,500	0.091
Others	6,420,026	3.041
Total	211,101,155	100.00

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

ACCRUAL BASIS

The system of accounting wherein revenue is 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.

SOLELY PAYMENTS OF PRINCIPAL AND INTEREST TEST (SPPI)

Classification decision for non-equity financial assets under SLFRS

EXPECTED CREDIT LOSSES (ECL)

Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument.

12 MONTHS EXPECTED CREDIT LOSSES (12MECL)

The portion of life time expected credit losses that represent the expected credit losses resulting from default events of a financial instrument that are possible within 12 months after the reporting date.

LIFE TIME EXPECTED CREDIT LOSS (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

EXPOSURE AT DEFAULT (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

EXPOSURE AT CLAIM

Contingent claim or position which carries a risk of financial loss.

CONTINGENCIES

A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

CORPORATE GOVERNANCE

The process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called “Best Practice”.

CREDIT RATING

An evaluation of a corporate’s ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

DEFERRED TAXATION

Sum set aside for tax in the financial statements that may become payable / receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

Removal of a previously 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.

GROSS DIVIDEND

The proportion of profit distributed to shareholders including the tax withheld.

GROUP

A group is a parent and all its subsidiaries and associates.

GUARANTEES

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfill the contractual obligation.

HIRE PURCHASE

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

INTANGIBLE ASSET

An Intangible Asset is an identifiable non-monetary asset without physical substance.

INTEREST COVER

Earnings before interest and tax divided by interest expenses; this indicates the ability to cover or service interest charges of the debt holders.

KEY MANAGEMENT PERSONNEL (KMP)

People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

LENDING PORTFOLIO

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

LIQUID ASSET

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills.

LIQUID ASSETS RATIO

Liquid assets as a percentage of public deposits.

LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

GLOSSARY OF FINANCIAL TERMS

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 NETWORK

HEAD OFFICE
No. 61, Dharmapala Mawatha,
Colombo 07.
+94 117 577 577
+94 117 577 511
raveendra@orient.lk

NUGEGODA/CORPORATE OFFICE
No. 19, Railway Avenue,
Nugegoda
+94 117 577 577
+94 117 577 551

CITY BRANCH
No. 53A, D.S. Senanayake Road,
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+94 117 677 601
+94 117 577 593
manoj@orient.lk

AMPARA
No. 01, D.S. Senanayake Road,
Ampara.
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dhanushkag@orient.lk

ANURADHAPURA
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No. 77/1, New Town Road, Pallegama,
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JAFFNA
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No. 319, D. S. Senanayake Veediya,
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MATARA
No. 38, Station Road, Matara.
+94 417 577 571
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NEGOMBO
No. 38, St. Joseph Street,
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+94 317 577 551
dineshm@orient.lk

PANADURA
No. 05, Cyril Janz Mawatha,
Panadura.
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madurangag@orient.lk

POLONNARUWA
No. 13/2, Hospital Junction,
Polonnaruwa.
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WELISARA
No. 395, Negombo Road,
Welisara.
+94 117 566 271
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WINDOW OFFICES

AVISSAWELLA
No. 20, Ratnapura Road,
Avissawella.
+94 367 577 571
upul@orient.lk

CHILAW
No. 3B, Bazaar Street, Chilaw.
+94 327 577 571
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KILINOCHCHI
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PUTTALAM
No. 116, Kurunegala Road,
Puttalam.
+94 327 577 551
chathurangal@orient.lk

NOTICE OF MEETING

Notice is hereby given that the 38th Annual General Meeting of Orient Finance PLC will be held as a virtual meeting emanating from the Boardroom of the Company at No.19, Railway Avenue, Nugegoda on Monday, 06th September 2021 at 10.00 a.m. to transact the following businesses.

1. To receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2021 together with the report of the Auditors thereon.
2. To re-elect Mr. Sriyan Cooray, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company and offers himself for re-election.
3. 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.
4. To authorize the Directors to determine and make donations.

By Order of the Board

K H L Corporate Services Limited
Secretaries
04 August 2021

Notes:

1. The Shareholders are requested to register with their first names and last names via the below link before 4.00 pm, on Friday, 03rd September 2021, to receive the link to join the AGM. The same names should be used to log in to participate in the AGM on 06th September 2021.

   https://orientfinance.lk/AGM-2021-Registration
2. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
3. A Proxy need not be a member of the Company.
4. A Form of Proxy is enclosed for this purpose.
5. The completed Form of Proxy must be forwarded by email to khl@khlcs.lk, fax to +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of the Company Secretaries, K H L Corporate Services Limited, No.15, Walukarama Road, Colombo 03.

   No registration of proxies will be accommodated after this deadline.
6. Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/ her/its proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

NOTES

NOTES

FORM OF PROXY

I / We, ……………………………………………………………………………….......………………… of …………………………………

…………………………………………………………… being a Member/s of the Company, hereby appoint ………………………

....……………………….……….. (holder of NIC No.

……..................……………….) of …………….............…………………………………………………………………… failing him/her,

1. Mr. Anil Tittawella failing him
2. Mr. Prakash Schaffter failing him
3. Ms. Minette Perera failing her
4. Ms. Indrani Goonesekera failing her
5. Mr. Ramesh Schaffter failing him
6. Mr. Sriyan Cooray failing him
7. Mr. Darshana Ratnayake failing him
8. Mr. K M M Jabir

as my/our Proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held as a virtual meeting emanating from the Boardroom of the Company at No.19, Railway Avenue, Nugegoda on Monday, 6th September 2021 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

		FOR	AGAINST
1.	Receive the Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31st March 2021 together with the report of the Auditors thereon		
2.	Re-election of Mr. Sriyan Cooray, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company.		
3.	Re-appointment of Messrs. BDO Partners, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.		
4.	To authorize the Directors to determine and make donations.		

Signed on this ....……… day of ……………….......................…………… 2021.

Signature/s ……………….........................…………………

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

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed Form of Proxy must be forwarded to the Company Secretaries by email khl@khlcs.lk, fax +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of Company Secretaries, K H L Corporate Services Limited, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting.

   No registration of proxies will be accommodated after this deadline.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to, require evidence of the authority of any such attorney or officer.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

Name of the Company
Orient Finance PLC

Legal Form
A public limited liability company incorporated on 24th July 1981 under the Companies ordinance No. 51 of 1938 and was re-registered in terms of the Companies Act No. 07 of 2007 on 27th July 2009.

The Company is registered under the Finance Leasing Act No. 56 of 2000 and Finance Business Act No. 42 of 2011.

Company Registration Number
PB 1079 PQ (previous PVS/PBS 7651)

Tax Payer Identification Number
104076513

Board of Directors
Mr. Anil Tittawella – Chairman
Dr. D C Jayasuriya P C – (Retired w.e.f. 23-Jun-2020)
Mr. Prakash Schaffter
Ms. Minette Perera
Ms. Indrani Goonesekera
Mr. Ramesh Schaffter
Mr. Sriyan Cooray
Mr. Darshana Joseph Ratnayake
Mr. K. M. M. Jabir

Stock Exchange Listing
The Company is listed on the Diri Savi Board of the Colombo Stock Exchange of Sri Lanka.

Registered Office
No. 02, Deal Place,
Colombo 03.
+94 112 639 878
+94 112 639 868

Head Office
61, Dharmapala Mawatha,
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+94 117 577 511
www.orientfinance.lk
orientfinance@orient.lk

Corporate Office
19, Railway Avenue,
Nugegoda.
+94 117 577 671
+94 117 577 511

Company Secretary
KHL Corporate Services Ltd.
No. 02,
Deal Place,
Colombo 03.
+94 112 145 034

External Auditors
BDO Partners,
Chartered Accountants,
“Charter House”, 65/2,
Sir Chittampalam A Gardiner Mawatha,
Colombo 02.
Tel: +94 112 421 878
Fax: +94 112 336 064

Bankers
Commercial Bank of Ceylon PLC
Bank of Ceylon
NDB Bank PLC
Seylan Bank PLC
Sampath Bank PLC
People’s Bank
Nations Trust Bank PLC
Pan Asia Bank PLC
DFCC Bank PLC

Credit Rating Agency
ICRA Lanka

Accounting Year End
31st March

Designed & Produced by
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Annual Reports

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