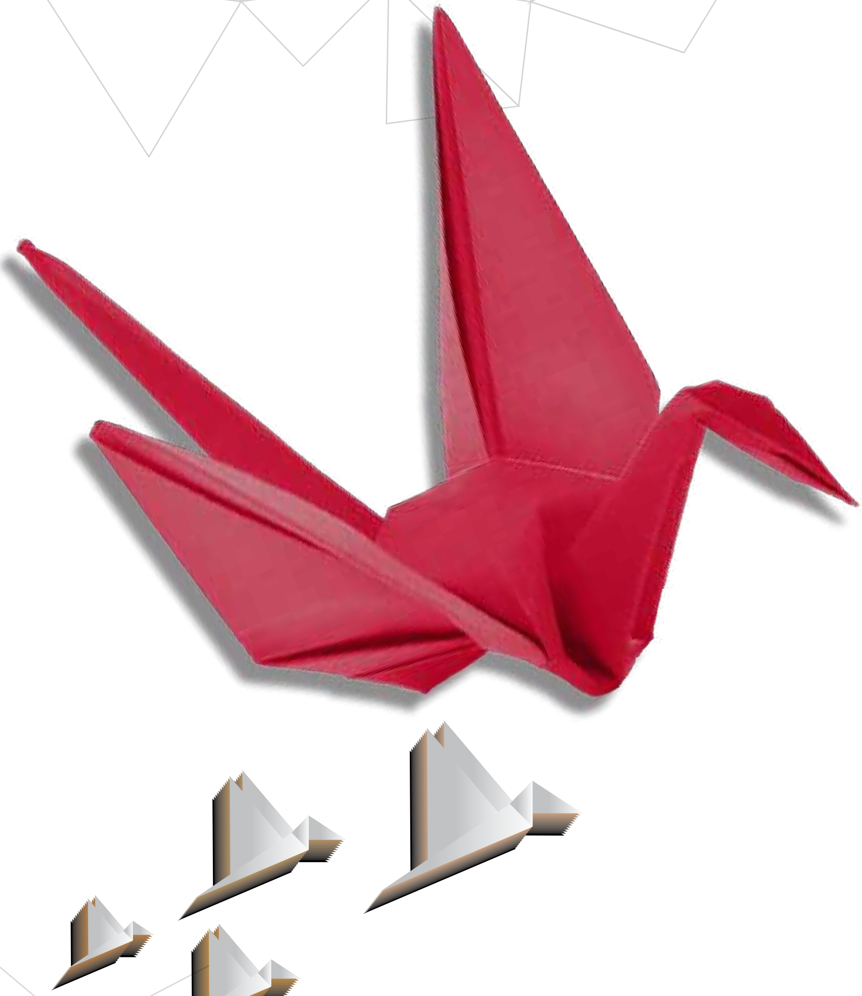
THRIVING
IN THE FACE OF
ADVERSITIES



Orient Finance
A Janashakthi Group Company

ORIENT FINANCE PLC

ANNUAL REPORT 2022/23

THRIVING

IN THE FACE OF

ADVERSITIES

AS THE BIGGER PICTURE REMAINED UNCERTAIN, WE FOCUSED ON THE MORE CONTROLLABLE FACTORS OF OUR BUSINESS. WITH MOUNTING CUSTOMER DEMANDS AND AN EXTERNAL ENVIRONMENT THAT WAS SOMEWHAT UNHINGED, ORIENT FINANCE PLC TOOK CALCULATED STOCK OF STRENGTHS AND OPPORTUNITIES. INSTEAD OF FOCUSING ON THE BIGGER PICTURE, WE DECIDED TO TACKLE THE DETAILS, WHICH WERE CRITICAL FOR THE FINANCIAL STABILITY OF THE COMPANY.

BY APPROACHING REALITY WITH A HEALTHY DOSE OF OPTIMISM AND A GOOD AMOUNT OF PRAGMATIC THINKING THAT MATCHED THE NEED OF THE HOUR, WE MANAGED TO EXPAND OUR DEPOSIT BASE TO RS. 10.9 BN. MOREOVER, THE REWARDING RELATIONSHIPS WE HAVE WITH OUR STAKEHOLDERS BECAME CRUCIAL TO BUFFER COMPOUNDING VOLATILITIES, ESPECIALLY THOSE WE MAINTAIN WITH OUR CREDITORS AND DEBTORS.

OUR STABILITY REMAINS INTACT, AND OUR RELATIONSHIPS WITH OUR STAKEHOLDERS ARE STRONGER, AS WE CONTINUE TO HONOUR THEIR EXPECTATIONS AND FACE ADVERSITY WITH CONFIDENCE AND PRAGMATISM.

CONTENT

Vision

To be a leading provider of unique Financial Solutions

Mission

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

Core Values

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

ABOUT THIS REPORT

Welcome to our integrated Annual Report for the reporting period of the financial year ended on March 31, 2023. This report aims to showcase how we incorporate integrated thinking into our business approach. It provides insights into key stakeholder engagement, the business environment of the year, our strategy and actions, operational and financial performance, as well as our risk management, governance, and social responsibility initiatives. The report has been prepared in accordance with the guidelines set out by the Global Reporting Initiative (GRI). The audited Financial Statements, along with the related notes and necessary disclosures, are included in this report.

SCOPE AND BOUNDARIES OF REPORTING

The purpose of this report is to inform stakeholders of Orient Finance PLC about how the Company managed its core business activities to generate consistent financial gains and plan for sustainable growth by creating value. While the report adheres to the guidelines set by the Global Reporting Initiative (GRI), the disclosures and integrated framework are expected to further evolve and mature in the coming years. The senior management confirms the materiality and comprehensiveness of the information and data provided in this report. It is important to note that sustainability reporting is not externally assured.

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

INQUIRIES

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

Mr. Manjula Tennakoon
Chief Financial Officer

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

ABOUT THE COMPANY

OUR DIRECTION

Orient Finance PLC is dedicated to revolutionizing the financial industry by implementing purposeful strategies that generate long-term value for all stakeholders while supporting the wealth creation of our esteemed customers. Our unique business approach and corporate culture enable us to offer a service that surpasses conventional financial solutions, assisting our customers on their business journey as we strive for mutual growth.

OUR HISTORY

Established in 1981, Orient Finance PLC (formerly Bartleet Finance PLC) has embarked on a new growth trajectory under the umbrella of Janashakthi Limited, a trusted brand. Over the past four decades, we have provided a diverse clientele with timely, relevant, and resourceful financial solutions. Our comprehensive range of services includes deposit mobilization, savings accounts, leasing, hire purchase, pledge loans, factoring, gold loans, working capital, and corporate financing.

OUR DRIVE

At Orient Finance PLC, our primary goal is to support our customers on their business journey by offering straightforward, innovative, and relevant financial solutions that minimise risk and maximise return on investment. Our products and services empower our customers to adapt to the modern world and pursue sustainable growth.

OUR CORE VALUES

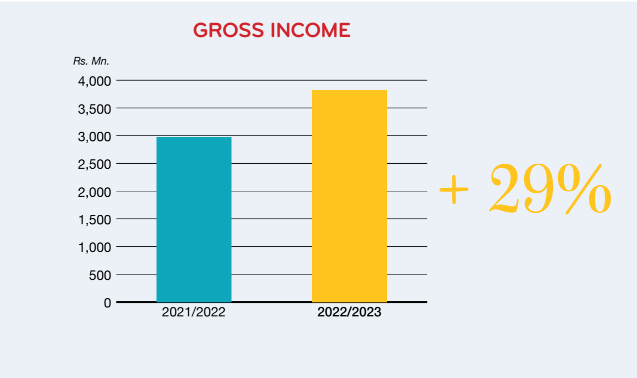
Ethical conduct, honesty, transparency, a performance-driven business approach, respect, and collaboration form the foundation of our organisation. These core values guide our growth and ensure that we consistently deliver exceptional service to our valued stakeholders.

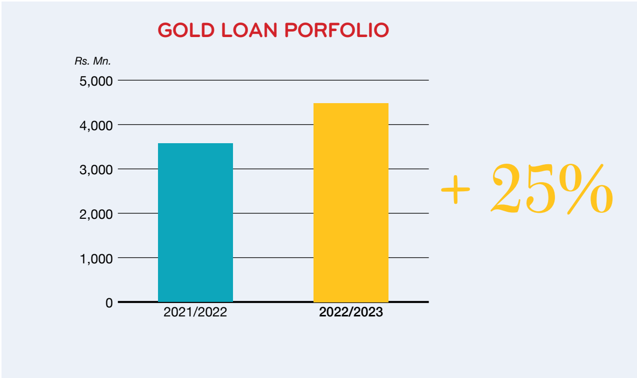
FINANCIAL HIGHLIGHTS

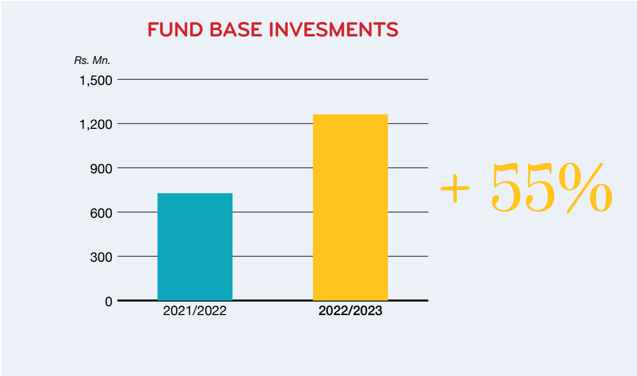
		2022/23	2021/22	Change %
Income	Rs. Mn.	**3,820.23**	2,972.21	28.53
Interest Income	Rs. Mn.	**3,593.06**	2,709.17	32.63
Interest Expenses	Rs. Mn.	**(2,600.02)**	(1,159.47)	124.24
Net Interest Income	Rs. Mn.	**993.04**	1,549.70	(35.92)
Profit/(Loss) Before Tax	Rs. Mn.	**(69.57)**	453.00	(115.36)
Profit/(Loss) After Tax	Rs. Mn.	**(72.05)**	453.00	(115.90)
Position at the Year end				
Shareholders' Funds	Rs. Mn.	**3,281.01**	3,331.88	(1.53)
Customer Deposits	Rs. Mn.	**10,759.50**	9,204.26	16.90
Loans and Advances to Customers	Rs. Mn.	**12,941.01**	14,125.81	(8.39)
Total Assets	Rs. Mn.	**17,468.87**	17,727.25	(1.46)
Per Share				
Earnings/(Loss) per Share	Rs.	**(0.34)**	2.15	
Market Price Per Share	Rs.	**8.9**	5.36	
Net Assets Per Share (Year-end)	Rs.	**15.54**	15.78	
Ratios				
Cost to Income	%	**93.44**	59.88	
Interest Margin	%	**6.73**	11.35	
Return on Equity	%	**(2.18)**	14.57	
Return on Assets (Before Tax)	%	**(0.40)**	2.78	
Statutory Ratios				
Core Capital to Risk Weighted Assets Ratio (Minimum Requirement 2023 - 8.5 2022 - 7.5%)	%	**15.50**	14.38	
Total Capital to Risk Weighted Assets Ratio (Minimum Requirement 2023 - 12.50 2022 - 11%)	%	**16.58**	15.38	
Liquidity Ratio (Min.10%)	%	**12.23**	11.99	

NON-FINANCIAL HIGHLIGHTS

Macro Dimension	Indicator	Measurement	2022/2023	2021/2022
Economic Well-being	Economic value creation	Rs. Mn.	**3,199**	2,373
	Economic value distribution to:			
	Depositors and Lenders	Rs. Mn.	**2,600**	1,159
	Employees	Rs. Mn.	**621**	605
	Government	Rs. Mn.	**50.1**	156
	Shareholders	Rs. Mn.	**(72)**	453
Business Sophistication	Product and business solutions	No.	**8**	8
	Branches relocated	No.	**1**	3
	Total workforce	No.	**492**	495
	Employees recruited	No.	**81**	68
Employee Well-being	Total training hours	No.	**67**	62







Net Interest Income

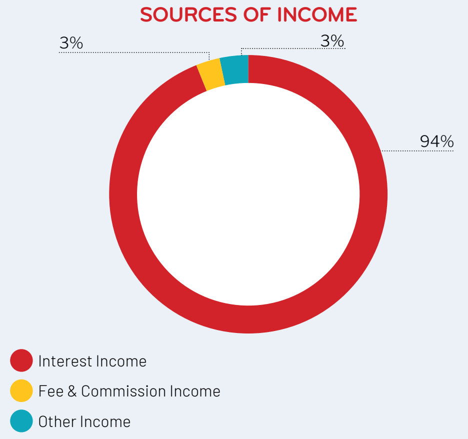
-36%

Customer Deposits

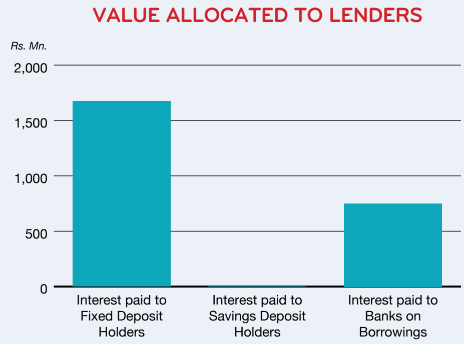
17%

OUR CONTRIBUTION TO THE ECONOMY

		Year 2023 Rs. Mn.	Year 2022 Rs. Mn.
Sources of Income			
Interest Income		**3,593**	2,709
Fee & Commission Income		**106**	102
Other Income		**121**	161
Economic Value Generated		**3,820**	2,972
Utilisation of Income	**Mechanism**		
Payments to lenders	Interest expenses	**2,600**	1,159
Payments to employees	Employee Salaries and benefits	**621**	605
Cost of services	Operational cost	**441**	401
Depreciation	Operational cost	**77**	45
Provision for impairment losses	Operational cost	**103**	125
Government taxes - including deferred tax	Tax payments	**50**	156
Profit After Tax	Value retained	**(72)**	453
Economic value distribution		**3,820**	2,972

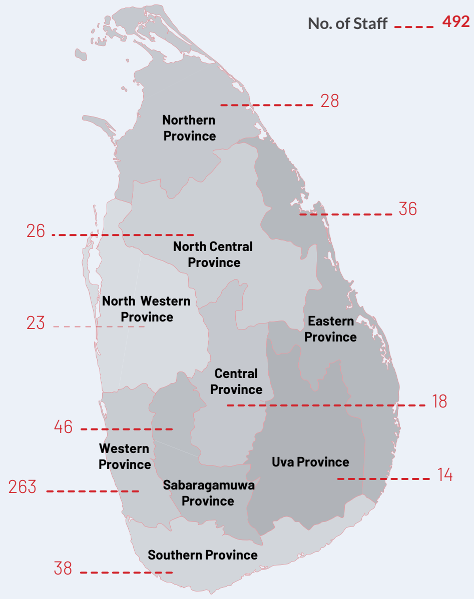


Value Allocated to Lenders		Year 2023 Rs. Mn.	Year 2022 Rs. Mn.
As a Financial services organisation we treated fixed deposit and savings holders as major stakeholders of the Company. We have paid Rs. 1,677 Mn as interest during the financial year	Interest paid to Fixed Deposit holders	**1,674**	803
	Interest paid to Savings Deposit holders	**3**	2
	Interest paid to Banks on borrowings	**775**	361



	2022/23	2021/22
Salaries and allowances Rs. Mn.	**621**	605

Tax Payment to Government	2022/23	2021/22
Direct Taxes (Rs. Mn.)		
Value added tax on financial services	**47.0**	149.7
Crop insurance levy	**0.5**	4.3
Indirect Taxes (Rs. Mn.)		
Stamp Duty	**2.6**	1.9
Total (Rs. Mn.)	**50.1**	155.9
Collected and paid (Rs. Mn.)		
Stamp Duty	**20.8**	66.9
Total (Rs. Mn.)	**70.9**	222.8



Amidst widespread turmoil in the wider economy, Orient Finance PLC remained well-positioned by controlling expenses effectively in a highly volatile environment. The company holds strong credit quality and capital ratios in excess of regulatory minimums.

CHAIRMAN'S MESSAGE

Unprecedented challenges unfolded due to the economic crisis, casting a pall of gloom through FY2022/23 and severely testing the mettle of people, processes and operations. In the face of this adversity, Orient Finance PLC's agile business model and meticulous strategies served to minimise the impact of the prevailing operating climate. Your Board exercised prudent management of all key performance pillars within its control, ably supported by committed staff and led by a dynamic CEO.

GLOBAL ECONOMIC OVERVIEW

The world faced universal challenges in areas of commerce, trade and geopolitics in the year under review, coupled with the negative impact of climate change-induced events such as floods, wildfires and global warming. The invasion of Ukraine by Russia, both major producers of oil and gas, had further serious implications for world oil and gas prices, in tandem with pressure on food security amongst wheat importing nations, considering that Ukraine is the world's largest producer of wheat. This compounded the prevailing weaknesses in the balance sheets of many nations who found it increasingly challenging to meet repayment deadlines of their foreign borrowings, as was the case for Sri Lanka and several African nations.

Although 2022 saw the easing of the pandemic, global supply chains - which were disrupted due to pandemic border closures and lockdowns were slow to recover, prolonging the negative impact on international trade. Amidst mounting uncertainty, the conversation around environmental, social and governance (ESG) grew stronger as global leaders debated the topic more intensely. There is consensus about the urgent need for better social and environmental governance, which in turn will have a positive impact on economic development.

LOCAL MACROECONOMIC CONDITIONS

Unfortunately, the economic crisis in Sri Lanka followed too closely on the heels of the pandemic easing up, as did the repayment deadlines for international bonds, which bunched up for settlement about the same time. The alarm sounded by economists four years ago went unheeded as Sri Lanka was progressively buried under external debt. On the verge of bankruptcy, Sri Lanka sought help from the International Monetary Fund (IMF) and other potential donors who rallied around. Although the IMF has placed Sri Lanka in an economic straitjacket, the objective of the hardship is to build economic capacity and the process has ushered in a sense of stability into currency flows albeit at a cost.

The LKR depreciated by almost 100%, from Rs. 190 to the dollar to the high Rs. 300s. Following this, the IMF and international authorities requested urgent fiscal reforms, resulting in taxation as a contribution to GDP being raised. One of the priorities now is to expand the tax net and increase revenue collection to around 14-15% over a five-year period. This is considered to be a preamble to a number of international foreign governments showing their solidarity with the overall debt restructuring process that Sri Lanka will have to undertake.

The disruption of global logistics persisted throughout the year and affected Sri Lankan exports as the cost of imports and local inputs surged upwards, exacerbated by an increased cost of production due to higher electricity tariffs. Unfortunately, the year witnessed unbridled inflation which shot up as high as 75% and saw even higher food inflation, however, a clamp-down on imports helped stave off an even worse impact. By the end of the year, inflationary pressure and exchange rates eased, supported by a stable export base and higher remittance inflows. During the first three months of the 2023 calendar year, tourism rebounded, which infused optimism for the industry's prospects through the rest of the year, and by extension, for the economy as well.

Amidst mounting uncertainty, the conversation around environmental, social and governance (ESG) grew stronger as global leaders debated the topic more intensely. There is consensus about the urgent need for better social and environmental governance, which in turn will have a positive impact on economic development.

CHAIRMAN'S MESSAGE

INDUSTRY CONDITIONS

The NBFI industry was forced to operate amidst these volatile conditions. Interest rates rose significantly during the year and coupled with the possibility of domestic debt restructuring, brought in uncertainty amongst corporates and lending institutions. The NBFI market depends on two components for its funding: bank financing and equity. Considering the unfavourable market conditions, the sector suffered the reluctance of banks to extend new credit to the sector and in some cases even the activation of previously approved credit lines. The pressure on the liability side pushed NBFIs against the wall in terms of asset liability management, and only those with strong parent companies or access to equity faced lesser challenges. Overall, the industry eased off on growing lending to ease balance sheet size and manage funding pressures.

The quality of the industry's portfolio as a whole was impacted by rising interest rates and the inability of the typical borrower to settle NBFI credit. The last of the moratoriums extended by the NBFI sector on account of a directive from the Central Bank of Sri Lanka concluded by the end of 2022, although the full impact on borrowing balance sheets is yet to be seen. NBFIs will have to be prepared to stretch the repayment terms of most borrowers in an effort to balance profitability with social responsibility.

COMPANY PERFORMANCE

Amidst widespread turmoil in the wider economy, Orient Finance PLC remained well-positioned by controlling expenses effectively in a highly volatile environment. The company holds strong credit quality and capital ratios in excess of regulatory minimums. One of the challenges however is that deposit costs rose faster than the ability to re-price contracts, as almost 60% of our book is focused on leasing and the balance is vested in gold loans and other products. During the year, the growth of leasing was moderated to preserve the quality of the book. The incremental cost of borrowing far outweighed the growth in revenue, and this impacted the bottom line to record a moderate loss, which was expected in light of unfavourable external factors.

During 2022/23, the company's overheads were managed exceptionally well. The CEO and the team have done an excellent job in managing expenses during the period under review. Moreover, even in the case of domestic debt restructuring exercise, the company's exposure to international bonds is very moderate and will not have any notable impact. I envisage more of a moderation in growth over the next couple of years as industry players will seek stability over growth.

FOCUS ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Being ESG focused is helping the company's value creation process. The importance of ESG for sustainable operations is reiterated across the Group in an ongoing manner, covering governance, human rights, equality of treatment, gender balance, tolerance to LGBTIQ+ etc., as an intrinsic part of Orient Finance PLC. ESG should remain an ever-evolving conversation, and this realisation will ensure that the company always remains on top of the latest ESG considerations.

On the environmental side, we are evaluating our lending practices to see how we might anticipate negative environmental aspects in projects and minimise their impacts. Secondly, we have started conversations with supply chain partners to explore partnerships in supply chain financing in the MSME/SME space, which are linked to green and renewable energy projects.

I think we are very fortunate from a governance point of view to benefit from a well-diversified and strong board of directors who possess extensive experience in company law, compliance, international financial institutions, credit, risk management etc. The board composition and the subcommittees extend immense support to management in capacity building and oversight. The board's message to management is 'business not at any price' and that one has to always be mindful of applicable regulatory environment.

We are aware of the risks of any particular product or environment we are venturing into, and see how we can manage those risks in relation to the returns we anticipate, alongside the size of our capital and balance sheet. We are also mindful of replication risks and compliance risks among others, ably given oversight by the board, in particular, the audit committee and integrated risk management committees.

The quality of the industry's portfolio as a whole was impacted by rising interest rates and the inability of the typical borrower to settle NBFI credit.

FUTURE OUTLOOK

There is room for optimism about the upcoming financial year as growth in deposit mobilization has been healthy and we expect this momentum to continue. Pressure on non-deposit-based funding initiatives is expected to ease up and Orient Finance PLC will leverage such opportunities as they arise. Despite the fact that we are a modestly-sized NBFI, given the domestic infrastructure, we feel that there will be some sort of moderation amongst larger banks that have greater exposure to domestic securities. This could see some proportion of the business trickling out of the banking sector and into NBFIs. As a company, we are poised to capitalise on such a possible scenario.

Secondly, when it comes to gold loans, the company's exposure is roughly 35% of the portfolio, but since it is made up of short tenors, the turnaround of the portfolio is much faster. This has led to a much bigger contribution to revenue from gold loans.

In my opinion, we will recalibrate revenue in the coming months far better than we did last year. Given the focus on overhead management, we expect to see a much better financial outcome for 2023-24 as opposed to the previous year. Over the years, Orient Finance PLC has grown through organic and inorganic means and the Board continues to seek suitable alliances to collaborate with to reach the next Rs. 20 Bn asset mark threshold.

APPRECIATION

My fellow members on the Board have been nothing short of brilliant and in my first year as Chairman of this eminent Board. It has been an absolute pleasure working with them.

I must appreciate the leadership given by our CEO, Mr. Jabbir, at a time when the company and the environment were under extreme stress. He has done an excellent work in stabilising the organisation and providing strong leadership to staff through a difficult period. Orient Finance PLC now has a dynamic team consisting of experienced and young blood with good skill sets to overall strengthen the calibre of management, which is reflected in the confidence the Board places in them.

I would like to also appreciate the role played by our shareholders who stood by us and supported us and express gratitude to the regulator who remained positive and open to two-way interaction during the crisis. The worst is behind us as a nation and it is imperative we forge ahead to make up for lost time. For its part, Orient Finance PLC is totally geared to leverage on future opportunities for growth and expansion.

Rajendra Theagarajah
Chairman

The Company withstood the mounting challenges of the year to record a total income of Rs. 3,820 Mn, which is a 29% improvement compared to the previous year and the Company was compelled to follow a stringent and cautious lending strategy during the period under review due to market volatilities.

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Stakeholders,

The financial year 2022/23 was an unprecedented year, and it presented significant macro-economic challenges and uncertainties that required adaptive strategies to run the business, sound financial management, continuous monitoring of risks, and strong hands-on operational management. As a financial institution, Orient Finance PLC was challenged like never before, compressing its growth further. In this challenging backdrop, Orient Finance PLC was able to progress its way ahead in a resilient manner since we realised the essential role we play in the lives of our customers, employees, as well as other key stakeholders, and the importance of maintaining stability and consistency.

The economy encountered an unparalleled crisis of immense proportions, leading to the most significant economic downturn in decades. This situation demanded a complete reevaluation of business practices and lifestyle choices. There is no blueprint to deal with a crisis like this, but within a short span of time, Orient Finance PLC managed to adjust its operations to address the situation at hand by mainly focusing on continued operational efficiencies, including prudent cost management initiatives and portfolio preservation, to manage the bottom line in a challenging environment. The Company withstood the mounting challenges of the year to record a total income of Rs. 3,820 Mn, which is a 29% improvement compared to the previous year. Despite focused business development strategies, owing to the challenging environment that prevailed throughout the period under review, the Company's lending portfolio contracted by 8.4% to Rs. 12,941 Mn, while the asset base of the Company decreased only by 01% to Rs. 17,468Mn, since the fund-based investments increased by 55% compared to the previous year.

MAINTAINING BUSINESS PERFORMANCE AMIDST CHALLENGES

The continuous external events that detracted from the socio-economic landscape over the recent three years have collectively elevated the level of uncertainty in the business environment in the country. As in the case of many industries, this had a direct impact on the Non-Bank Financial Institutes (NBFIs) at large. Even before the onset of the pandemic, the industry, along with Orient Finance, witnessed a steep contraction of the loan book, growing Non-Performing Assets (NPA) ratios, and declining ROE and ROA ratios, among other growing challenges. These performance indicators, along with the overall performance of the industry, continued to stifle amidst a deteriorating economic landscape, continuous cash flow drainage of individuals, vehicle import restrictions, continued GDP contraction, and a slowdown in economic activities within the SME sector, among other adverse externalities.

As expected, these factors directly influenced Orient Finance's performance during the year under review. I am pleased to note, however, that despite all odds, the Company initiated a new strategic approach with a focused view for business revitalisation to overcome these challenges. We intensified the focus on several performance pillars that included; an improved asset quality, enhanced liquidity, and operational efficiency, all of which have positioned us well to tackle short-term uncertainties while achieving long-term growth. As part of this bold strategy, the Company set out to proactively explore new adjacent markets such as short-term gold loans, Islamic financing, and small ticket leasing businesses. The Company made its forays into the small ticket - micro-leasing, which has significantly contributed towards reducing the loan concentration risk and enhanced interest spread with a higher IRR (Internal Rate of Return) stimulated by smaller facility sizes.

The Company was compelled to follow a stringent and cautious lending strategy during the period under review due to market volatilities. In a backdrop where credit growth was subdued due to interest rates, the Company's Gold loan portfolio stood at Rs. 4.485 Mn and recorded a growth of 26%. The portfolio composition was led by 57% of finance lease receivable followed by Gold loans, which made 35% of the lending portfolio. However, the Company maintained sufficient interest margins throughout the financial year, even in the high-interest rates in line with the policy measures taken by the CBSL. Despite the high-interest rate regime, the deposit base of the Company grew by 17% during the year under review, with the number of deposit customers increasing up to 31,342 bearing witness to the continually growing trust and credibility the Company has earned as a fast-growing financial services provider in the NBFI industry. In a further assertion of its stability, the Company's core capital to risk-weighted assets (Tier I) ratio stood at 15.50%, while total capital to risk-weighted assets was 16.58%, well above the minimum stipulated industry requirements. The shareholders' funds as of 31st March 2023 stood at Rs. 3,281 Mn.

Accelerated by the critical needs of the economic crisis, the Company's digital prowess fueled further within the year under review, where customer convenience-led payment modes were successfully deployed by strengthening partnerships with prominent merchants.

CHIEF EXECUTIVE OFFICER'S REVIEW

PLACING OUR CUSTOMERS AT THE CENTER OF EVERYTHING WE DO

Achieving greater flexibility with process improvement initiatives such as online credit appraisal process, restructuring internal departments, reallocating and re-provisioning the IT resources more efficiently to improve IT infrastructure and services, and upgrading the core banking solution by implementing FD and savings product modules further complemented our delivery efficiencies that translated to better customer experiences and more cost-effective branch operations within a year that mandated prudent management of costs. Critical cost assessments throughout the year resulted in a greater cost optimisation whilst maintaining one of the strongest capital adequacy levels in the industry. Accelerated by the critical needs of the economic crisis, the Company's digital prowess fueled further within the year under review, where customer convenience-led payment modes were successfully deployed by strengthening partnerships with prominent merchants and banks such as Cargills Food City and NDB bank, allowing our customers to make payments more conveniently as late as 11.00 pm and throughout 365 days of the year.

With the view of meeting our customers where they are at, we continued to shift our customer communication focus to digital media along with the expansion of payment modes to make customer journeys simpler, safer, and more convenient. Also, heeding to our customer pleas at a time of unprecedented challenges remained a management priority throughout the year when operating amidst an economic crisis.

We look forward to a better year with a gradual return to stability fueled by the forward-looking expectations brought about by the government's policy changes.

OUR ORIENT FINANCE TEAM

We attribute our success thus far to the depth of expertise and skills in financial services possessed by our staff collectively. Our people, both the frontline staff - who interface with customers directly - and our back-office teams, are the backbone of our operations, providing exceptional service levels to ensure the smooth functioning of our operations. Orient Finance PLC has set in place a robust HR strategy that covers recruitment based on 'best fit' for the job, employee retention, and performance evaluation. We strongly believe in aligning the objectives of our employees in line with the corporate objectives. The Company during the year focused on capacity building of staff through training and mentoring programs. A series of workshops and training programs were held during the year with the objective of upskilling the technical expertise of our staff whilst building soft skills and enhancing motivation levels. The high staff retention ratio of 80.47% is a testament to the effectiveness of these programs.

OUTLOOK FOR 2024 AND BEYOND

As we stand in the midst of 2023, we look forward to a better year with a gradual return to stability fueled by the forward-looking expectations brought about by the government's policy changes. The challenges, however, will persist with the economic growth remaining below desired levels, continued rupee fluctuations that is placed under pressure by the slow improvement in the tourism sector, related industries, and lackluster export performance, which will all contribute to a spill-over effect on the economy as a whole. Despite these sentiments, we remain steadfast in our efforts to forge ahead and strive towards sustainable value creation. We at Orient Finance remain optimistic about the ever-expanding growth prospects of the financial services sphere, and we will drive in full force towards meeting our sales growth objectives and achieving our renewed strategic growth objectives in our journey to become one of the most desired financial service providers in the country. We will continue to focus on the prudent expansion of our lending portfolio whilst strengthening the risk management and recovery framework to ensure the qualitative performance of the lending portfolio. Continued liquidity management and cost optimisation strategies will lead the way for the Company's growth in the ensuing year.

Our success in the coming year and beyond will be founded upon a strong people strategy that will be cemented with (continued) remuneration packages, zero retrenchments of staff, and continued facilitation of flexible work arrangements to ensure the safety and well-being of our team. 'Orient Team Spirit' has been the common thread that weaves our activities together to bring the Company's strategic vision to life, and I will continue to count on the commitment of our team to achieve the desired business growth. The Company will continue to invest in its people with learning and development through virtual learning optimisation and career development processes that would transform our people into business leaders and contribute to improving the livelihoods of all our stakeholders.

APPRECIATION

2022/2023 was anything but easy. Collaboration as a team was the sole means of navigating through such a challenging year. Therefore, I would like to extend my heartfelt thanks to our Orient Finance Team for demonstrating resilience and showing great commitment in these tumultuous times. I would also like to thank our shareholders for the trust placed in us. We will continue to do everything we can to remain worthy of this trust. Many thanks to the Chairman and the Board of Directors for their valuable insights and strategic directions. I am grateful to the Management team for their untiring efforts in steering the Company on a path of continued growth amidst adversity.

I would like to thank the Governor of the CBSL, the Director - Non-Bank Supervision of the CBSL and her officials, the Controller of Exchange, the General Manager, and the staff of Credit Information Bureau for their guidance and support throughout the year.

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

VALUE CREATION MODEL

OUR INPUTS

FINANCIAL
- Shareholders' Funds
- Borrowers' Funds
- Customer Deposits

MANUFACTURED
- Branches
- Property, Plant and Equipment
- Tech infrastructure

INTELLECTUAL
- Institutional Knowledge
- Technology and Systems
- Processes and Procedures

HUMAN
- Policy Framework
- Performance Evaluation
- Recruitment and Retention
- Competitive Benefits and Remuneration
- Training and Development

SOCIAL AND RELATIONSHIP
- Diverse Loan and Deposit products
- Partners
- Diverse Suppliers
- Partnership with institutions
- Regulator Relations
- Supporting communities/SMEs
- Development Projects
- CSR

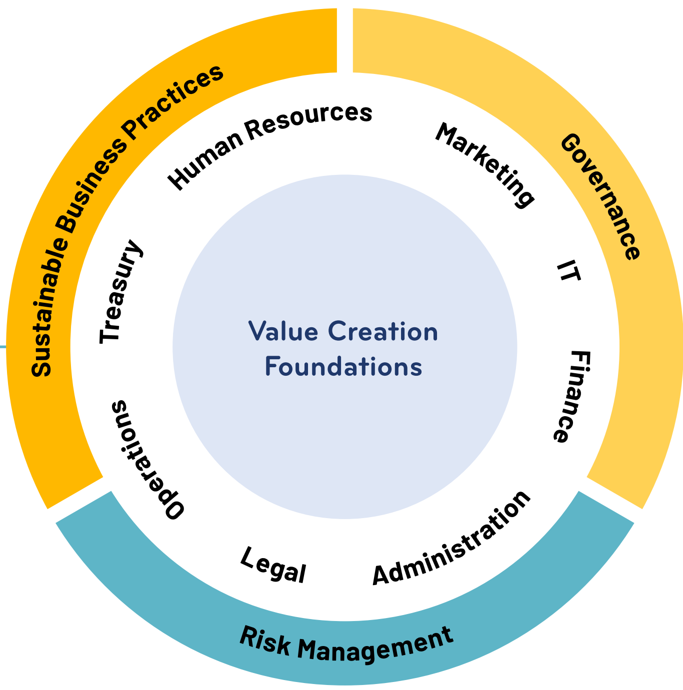
NATURAL
- Plastic waste recycling
- Renewable energy
- Utilities consumption
- Nurturing nature

THE VALUE WE CREATED

VISION

MISSION

VALUES



OPERATING ENVIRONMENT

INTERNAL ENVIRONMENT

MICRO ENVIRONMENT

MACRO ENVIRONMENT

THE VALUE WE CREATED

Rs. (0.34)
Earnings per Share

Rs. (72) Mn
PAT

Rs. 621 Mn
In total remuneration

Rs. 47 Mn
In tax payments

OUTCOME FOR OUR STAKEHOLDERS

CUSTOMERS	• Innovative offerings • Convenience • Service excellence • Increased accessibility
EMPLOYEES	• Career growth • Financial growth • Increase in revenue per employee • Promoted employees • Cost of living allowance • Increased remuneration
BUSINESS PARTNERS	• Business opportunities and strong partnerships
REGULATORS	• Maintaining industry standards and ethical conduct • Compliance to regulations
SOCIETY	• Supporting the financially vulnerable and underprivileged • Increased CSR spending

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT AND VALUE CREATION

We employ a comprehensive approach to understand the diverse and occasionally conflicting needs of our stakeholders. Our aim is to achieve growth objectives for each group, while also generating financial and operational gains. In doing so, we strive to build a sustainable business that creates value for the Company and all our stakeholders.

Our key stakeholder groups consist of six broad categories: customers, employees, shareholders (Parent Company – Janashakthi Limited), communities, regulators, and business partners. The table below provides a concise overview of our relationships with each stakeholder group, progress indicators, and the value we bring:

Stakeholder	Value for the Stakeholder	Value for the Company	Indicator	Value Creation
Customers	Timely and innovative financial solutions. Improved access to financial solutions Organisational stability	Higher revenue from existing and new customers. Enhanced customer loyalty Enhanced brand reputation	Customer base growth Increase in the number of financial solutions	Providing comprehensive financial solutions and assisting in the wealth creation process
Employees	A conducive and healthy work environment Opportunities for growth Performance driven rewards system	An engaged and motivated workforce Knowledgeable and talented workforce well-equipped to meet customer needs and contribute to company growth	Employee volunteerism No. of employees Training hours and investment	Attracting and retaining industry top talent. Facilitating individual growth.
Shareholders (Parent Company, Janashakthi Limited)	Sustainable return on investment	Public trust in the brand Strong capital base	Return on equity Cost-to-income ratio Return on assets	Establishing a sustainable and agile business model for long term and viable growth.
Business Partners	Ethical engagement with the Company Contribution to the overall financial and economic system in the country	Robust corporate governance, market integrity, and good business practices Business sustainability	Compliance with regulatory frameworks	Promote financial and economic stability and contribute to strengthening the regulatory framework and market conditions.
Communities	Contribution to economic stability Increased access to funding	Potential market growth Brand reputation as a reliable financial solutions provider	Number of CSR projects Energy efficiency and water usage	Provision of access to financial solutions to all levels of society and contribute to sustainable economic growth.

At our core, we prioritise delivering exceptional value to our customers. By consistently exceeding their expectations, we aim to build lasting relationships and foster loyalty. We also understand the significance of our employees, who are the driving force behind our success. By providing a supportive and inclusive work environment, we empower our employees to reach their full potential and contribute to our collective growth.

As a PLC company, we value our shareholders and strive to deliver consistent returns on their investments. We maintain transparent and open communication channels to keep them informed about our progress and future plans. Additionally, we actively engage with the communities in which we operate, recognising our responsibility to contribute positively to their development and well-being.

IDENTIFYING STAKEHOLDER GOALS

Our methodology for identifying key stakeholders is centered on their potential impact on our business and decision-making process. Initially, we pinpoint the specific goals of these key stakeholders to assess their influence, level of involvement, and the significance we attribute to each group. These goals serve as a basis for defining the extent and magnitude of our relationships, as well as the level of engagement required. The table below illustrates the specific goals we assign to effectively manage the interests of each stakeholder group:

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

● Extreme ● High ● Medium ● Moderate ● Low

MANAGING STAKEHOLDER RELATIONSHIPS

Stakeholder relationship management is a crucial element in our ongoing pursuit of growth and value creation for the Company and all stakeholders. We recognise the importance of effectively managing and nurturing these relationships, and therefore, we strive to establish purposeful, relevant, inclusive, and customised communication channels. By doing so, we ensure that we remain responsive, engaged, and genuinely interested in the needs and concerns of our stakeholders.

To achieve this, we actively seek their input and promptly address any issues or requirements they may have. Our stakeholder engagement process is seamlessly integrated into our value creation process, making it a vital source of information that drives our overall strategy.

While we broadly categorise our stakeholders into six distinct groups, we further classify them into internal and external stakeholders for clarity. This categorisation allows us to better understand and manage the diverse needs and expectations of each group. For a comprehensive overview of our stakeholder management process, please refer to the table below, which outlines the various modes of engagement we employ:

Internal	Newsletters	AGM	Extra Ordinary meeting	Emails	Meetings	Social media	Events	Reports	Phone calls	Websites	Formal letters	Annual Reports	One to one	Site visits
Shareholders		An	Wn						Wn			An		
Board of Directors		An	Wn		Mo		Wn	Mo	Wn			An		
Management		An	Wn	Wn	Wn		Ah	Wn	Wn	Rb	Wn		Wn	
Employees				Wn	Wn		Ah	Wn	Wn	Wn	Wn		Wn	Wn
External														
Customers	Qu			Wn	Wn	Rb	Ah		Wn	Wn		An	Wn	Wn
Business partners	Qu			Wn	Wn				Rb	Wn	Wn	An	Wn	Wn
Communities	Qu			Wn			Ah			Wn				
Regulators	Qu			Wn				Mo	Wn	Wn		An		

Annual - **An** Regular basis - **Rb** Monthly - **Mo** Quarterly - **Qu** When necessary - **Wn** Ad hoc - **Ah** Periodic - **Pe**

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT SCORECARD

In order to maintain a high level of stakeholder engagement, we have implemented a comprehensive scorecard system. This system allows us to continuously monitor, review, and adapt our processes to ensure that we are consistently creating and preserving value. By doing so, we are better equipped to analyse and identify any potential impact or concerns that our stakeholders may have, as well as meet their specific requirements.

Once we have identified the level of response required and assessed its effectiveness, we take proactive steps to strengthen our overall strategy. This involves implementing a carefully crafted action plan that addresses any areas of improvement or adjustment. By doing so, we are able to enhance our stakeholder engagement efforts and ensure that we are consistently meeting their needs and expectations.

						Outcomes	
Stakeholder	Value for the stakeholder	Value for the Company	Engagement	Indicator	Value creation	**2022/23**	2021/22
Customers	Timely and innovative financial solutions.	Higher revenue from existing and new customers.	Communication material	Customer base growth (%)	Providing comprehensive financial solutions and assisting in the wealth creation process	**11**	8.70
	Improved access to financial solutions	Enhanced customer loyalty	Website and social media platforms	Increase in the number of financial solutions		**8**	8
	Organisational stability	Enhanced brand reputation	24-hour call center	No. of complaints solved		**100%**	100%
			Customer feedback				
Employees	A conducive and healthy work environment	An engaged and motivated workforce	Staff meetings	Employee volunteerism (hours)	Attracting and retaining industry top talent. Facilitating individual growth.	**234**	212
	Opportunities for growth	Knowledgeable and talented workforce well-equipped to meet customer needs and contribute to company growth	Intranet and email	No of employees		**492**	495
	Performance-driven rewards system		Training	Total headcount broken down by:			
				Male		**70%**	73%
				Female		**30%**	27%
			Performance appraisal	Training hours		**67**	62
				Investment Rs.		**1,100,325**	256,500
			Staff circulars				

Stakeholder	Value for the stakeholder	Value for the Company	Engagement	Indicator	Value creation	Outcomes	
						2022/23	2021/22
Shareholders (Parent Company, Janashakthi Limited)	Sustainable return on investment	Public trust in the brand	Progress reports and meetings	Return on equity (%)	Establishing a sustainable and agile business model for long-term and viable growth. A	(2.18)	14.57
		Strong capital base	Monthly financial statements	Cost-to-income ratio (%)		93.44	59.88
			Group meetings	Return on assets (%)		(0.40)	2.78
			Business agreements				
			Annual Report				
			Annual General Meeting				
			Extraordinary General Meeting				
Regulators and Business Partners	Ethical engagement with the Company	Robust corporate governance, market integrity, good business practices	Meetings	Compliance with regulatory frameworks	Promote financial and economic stability, and contribute to strengthening the regulatory framework and market conditions.		
			Annual Report				
	Contribution to the overall financial and economic system in the country	Business sustainability	Disclosures				
			Industry forums				
Society and Environment	Contribution to economic stability	Potential market growth	Social media and websites	Number of CSR projects	Provision of access to financial solutions to all levels of society and contribute to sustainable economic growth.	2	4
			CSR projects	Energy efficiency and water usage (Gj)			
	Increased access to funding	Brand reputation as a reliable financial solutions provider					
			News releases				

MATERIALITY

INTRODUCTION TO MATERIALITY DETERMINATION

Orient Finance is committed to creating enduring value for all our stakeholders, encompassing economic, social, and environmental impact. The significance of each aspect is directly linked to its influence on our ability to generate value. Our leadership teams diligently identify material topics and assess their importance in value creation by actively engaging stakeholders through effective communication channels. We conduct an annual analysis of these material topics to understand stakeholder concerns and align our solutions with our strategic objectives. Simultaneously, our risk management and governance processes consistently monitor materiality to ensure strong performance and sustainability.

MATERIAL DETERMINATION PROCESS

When determining our material aspects, we carefully identify and integrate significant risks and opportunities by thoroughly reviewing our business environment, enterprise risk management, stakeholder engagement, and engaging in broad committee discussions. At Orient Finance PLC, we utilise a range of tools, including market surveys, stakeholder input, and periodic risk analysis, to aid in this process.

During the Financial year 2022/23, our materiality determination process aimed to establish a more stringent governance process, enhance regulatory control, and improve risk management. We recognised the importance of these measures in ensuring the overall success and sustainability of our operations.

By following this comprehensive approach, we are able to effectively identify and prioritize the key areas that require our attention and resources. This enables us to make informed decisions and take proactive measures to mitigate risks and capitalize on opportunities.

We assimilate a set of material risks and opportunities by reviewing our business environment, enterprise risk management, stakeholder engagement and board and committee discussions. Management's materiality determination process.

MATERIAL IMPACT

Addressing each material issue is a top priority for Orient Finance PLC. To ensure comprehensive attention, we have integrated each material issue into our capital growth process and categorised their importance as high, medium, or low impact. These material themes serve as a roadmap for our growth trajectory, outlining the steps for operational, financial, and business growth and how they contribute to the creation of social, economic, and environmental value. Consequently, the impact of these identified material matters is crucial for the sustainability and development of our business. The matrix below illustrates the identified material issues that affect our business and their corresponding priority levels:

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

High Impact
Medium Impact
Low Impact

MATERIALITY

MANAGING INTERLINKS BETWEEN MATERIAL ISSUES

As we delved into material issues, we acknowledged the interconnectedness of each aspect and the potential for enhancing our value creation and preservation process by focusing on these relationships. In our pursuit of defining the connections between material themes, we aimed to leverage this critical aspect to effectively generate and safeguard value. The following illustration depicts the interrelationships between key material themes.

THE WAY FORWARD

We are committed to continuously evaluating our material issues in light of the changing business and socioeconomic landscape, emerging trends, and valuable input from our stakeholders. These inputs and insights serve as the foundation for our future strategies regarding material matters.

Throughout the year, we have conducted extensive research and analysis, leading us to conclude that matters concerning our customers and external stakeholders, who are directly relevant to our business, require heightened attention. Moving forward, we are dedicated to expanding our focus to encompass a broader range of stakeholder concerns and addressing them to the best of our abilities.

To ensure that our decisions are well-informed, we will continue to conduct thorough analyses and gather data-driven insights into the material themes that have an impact on our business and our ability to create value. Furthermore, we are committed to enhancing our stakeholder surveys by involving a wider scope of stakeholder groups. This will enable us to clearly determine the impact of each material theme and make informed decisions accordingly.

By prioritizing the needs and expectations of our customers and stakeholders, we aim to strengthen our business and create sustainable value for all parties involved.

TURTLE – KAME

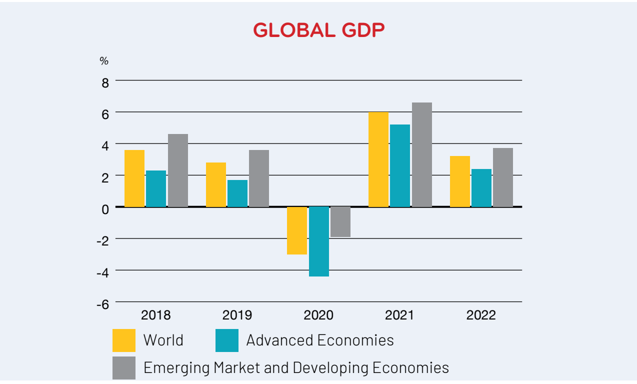
IN THE JAPANESE LANGUAGE, THE TERM USED TO REFER TO TURTLES IS 'KAME'. ACCORDING TO JAPANESE CULTURE, THE TURTLE HOLDS GREAT SIGNIFICANCE AS A SYMBOL OF WISDOM, LUCK, PROTECTION, AND LONGEVITY.

MANAGEMENT DISCUSSION AND Analysis

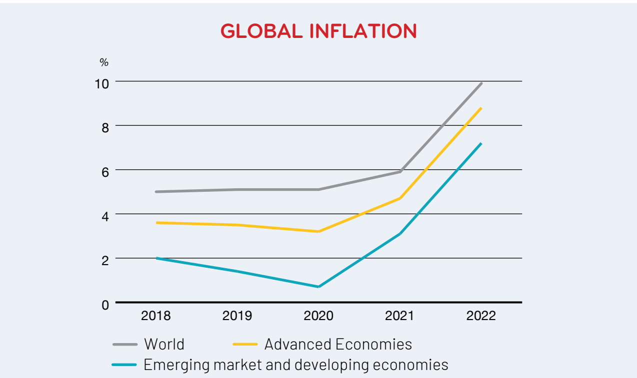
OPERATING ENVIRONMENT

GLOBAL ECONOMY

Economic conditions deteriorated substantially in advanced economies in 2022 as high inflation eroded household purchasing power and dented confidence, while rapid monetary policy tightening weighed on demand. Global growth slowed in 2022 to 3.2%, more than 1 percentage point weaker than expected at the end of 2021, mainly weighed down by Russia's war of aggression in Ukraine and the associated cost-of-living crisis in many countries. The Russia-Ukraine war resulted in severe energy supply disruptions in the Euro area, pushing up energy prices and prices of some food items, thereby hampering production and consumption and fuelling uncertainty. Economic activity in China slowed in 2022 amidst large and repeated COVID-19 outbreaks and accompanying lockdowns. Furthermore, activity in emerging markets and developing economies decelerated sharply in 2022 due to tight global financial conditions, reduced consumer spending amidst high inflation, dampened external demand and spillovers from the Russia-Ukraine conflict.



Source: IMF

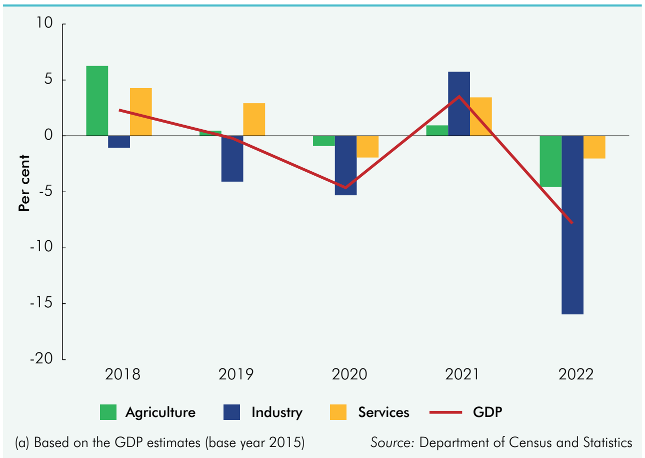


Source: IMF

LOCAL ECONOMY

In 2022, the Sri Lankan economy registered its deepest economic contraction since independence, mainly driven by the ripple effects of the unprecedented economic crisis amidst the domestic and global headwinds that reversed the post-pandemic recovery. GDP contracted by 7.8% in 2022, compared to the growth of 3.5% in 2021. Acute fuel shortages due to the dearth of foreign exchange caused a significant drag on activities, as a result of hampered supply chains, prolonged power outages, scarcity of raw materials amidst imports compression, and a surge in the cost of production.

Figure 2.1
Annual GDP Growth Rate (a)



Source: CBSL annual report 2022

Further, significant upward revisions in major utility prices amidst soaring global energy prices and the depreciation of the exchange rate exacerbated pressures, while accelerated inflation and tax hikes affected the disposable income of households. Significant monetary policy tightening measures were undertaken, along with other measures to contain the balance of payments (BOP) pressures, and the unprecedented Financial reforms in taxation and utility prices, along with the fuel rationing system. During the nine months ending September 2022, headline inflation was on a rapid acceleration path. Meanwhile, the Government sought assistance from the IMF for a funding arrangement and announced a debt standstill as an interim measure, pending negotiations on debt restructuring with bilateral and commercial creditors during early 2022. Sri Lanka secured IMF Executive board approval for the EFF arrangement of approximately US$ 3,000 Mn in March 2023, and the first tranche of approximately US$ 333 Mn was disbursed under the programme in late March 2023.

PERFORMANCE OF NON-BANK FINANCIAL INSTITUTIONS (NBFI) INDUSTRY

In 2022, licensed finance companies and specialised licensed finance companies faced unprecedented macroeconomic circumstances, leading to the extension of debt moratoria and concessions on loan repayments. These measures were put in place to support borrowers who were adversely affected by the prevailing economic conditions.

By the end of 2022, approximately 13.2% of the loans and advances portfolio in the sector were under moratoria. Despite the challenging environment, the NBFI industry managed to sustain its growth during the year, even as the country experienced an economic contraction.

Although the sector encountered obstacles such as shrinking credit growth, declining profitability, and an increase in non-performing loans (Stage 3 loans), it still expanded in terms of assets and deposits. This growth was made possible by maintaining adequate capital and liquidity buffers throughout 2022.

Deposits in the NBFI industry saw a significant increase of Rs. 81.1 Bn, representing a year-on-year growth of 10.4% to reach Rs. 864.4 Bn. On the other hand, borrowings experienced a slight decline of 1.0% to Rs. 322.6 Bn during the same period.

AWARDS AND ACCOLADES

Annual Report 2021/22 – Silver Award & TAGS Award 2022

Merit Award for Social Media Campaign of the year 2022/23 from SLIBF Awards

Emerging Islamic Finance Entity of the Year 2022/23

FINANCIAL CAPITAL

OVERVIEW

Managing Financial capital is a salient function in the value creation process of the Company. As a finance company, we are entrusted with public funds by way of deposits by customers, investments by shareholders, bank borrowings and reserves built up over time. Orient Finance PLC has a responsibility to secure, protect and manage these funds in a way that guarantees adequate returns amongst key stakeholders of the Company. In developing our financial capital, we look to explore sustainable revenue growth opportunities, regional expansion with a core focus on improving sustainable business performance, ensuring financial stability, and strengthening stakeholder engagement. As a testimonial to its commitment, the Company demonstrated prudent management of its Financial Capital.

Mounting on the challenges of the year 2022, the Company faced severe macroeconomic challenges in the financial year under review due to the economic downturn. Orient Finance's growth compressed further, owing to the unprecedented challenges of the economy. However, the Company remained resilient amidst sector shocks that prevailed due to the volatile macroeconomic landscape that continued throughout the year under review. The Company mainly focused on continued operational efficiencies including prudent cost management initiatives and portfolio preservation to manage the bottom line in a challenging environment.

Whilst the Covid-19 outbreak weakened the country's outlook substantially affecting the overall business landscape, the Central Bank of Sri Lanka (CBSL) implemented several monetary policy tightening measures to support the economy. Accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were increased substantially to control the inflation, during the first quarter of the year. This led to an increase of the Average Weighted Prime Lending Rate (AWPLR monthly), and consequently, the deposit rates in the industry also increased notably.

Despite the challenges that impacted the financial services industry at large, Orient Finance remained steadfast in its commitment to maintaining employee well-being and to exercising efficient cost management systems whilst maintaining satisfactory income levels to compensate for increasing interest costs.

Though the macroeconomic pressures impacted overall loan growth while the slowdown in economic activities, the high-interest environment, and the increase of yields from liquid assets, collectively increased the fund-based income of the Company. Amidst a challenging backdrop, the Company managed its liquidity buffers prudently and was able to maintain a strong liquidity position. This robust liquidity position and stability of the Company enabled it to strive in the high interest environment and to stay strong in the financial year.

FINANCIAL PERFORMANCE

PROFITABILITY

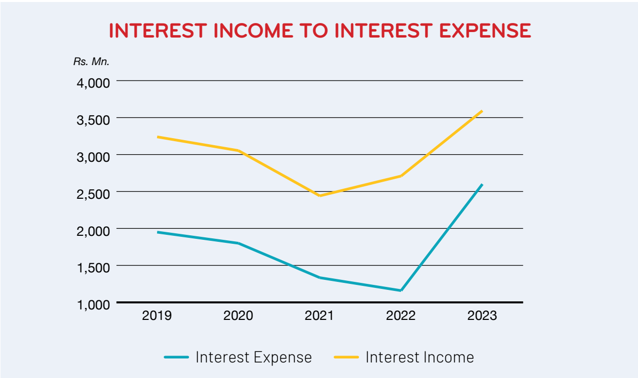
Orient Finance remained steadfast in the face of challenging market conditions and the impact of many factors on its financial performance. The company reported a loss before income tax of Rs. 69.56 Mn. for the year, compared to the profit of Rs. 452.99 Mn. in the previous year signaling the extremely trying conditions of this year. Net operating income and total operating expenses both negatively contributed to this decline in the current financial year. The loss is mainly due to the increase in interest expenses at a rate higher than the increase in interest income. The interest cost increased by 124% compared to previous year due to the rise in market interest rates. As a result, the loss after tax for the year was Rs. 72.05 Mn. against the after-tax profit of Rs. 452.99 Mn in the previous year. A continued deterioration of the economy and the resultant impact on individuals and businesses also impacted the profitability of the Company due to a rise in loan delinquency and impairment provisions against the declining loan portfolio.

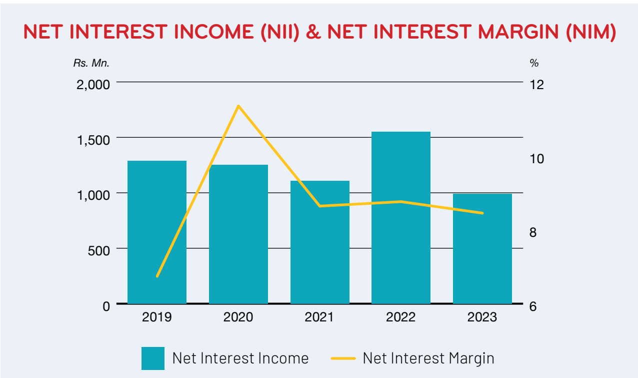
NET INTEREST INCOME

The Company's Net Interest Income (NII) declined by 36% year on year as a result of the slow credit growth following the economic down tern and the rise in interest rates. NII for the year was Rs. 993 Mn compared to Rs. 1,549 Mn in the previous year. Amidst the challenges highlighted above, the net interest margin of the company for the year under review compressed to 7%.Though the macroeconomic pressures impacted overall loan growth while the slowdown in economic activities, the high-interest environment, and the increase of yields from liquid assets, collectively increased the fund-based income of the Company.

INTEREST INCOME TO INTEREST EXPENSE

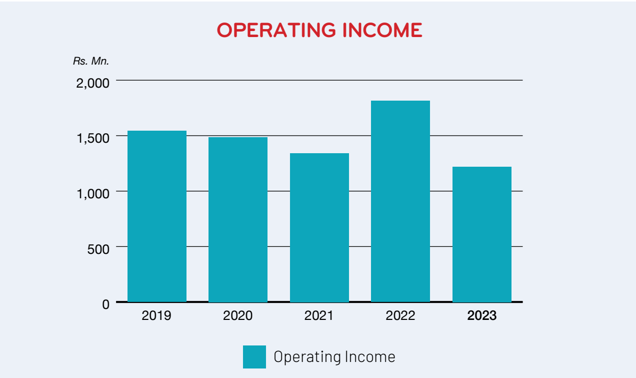
The ratio of interest income to interest expense declined drastically compared to the last year due to the overall increase in interest costs at a rate higher than the increase in the interest income.





TOTAL OPERATING INCOME

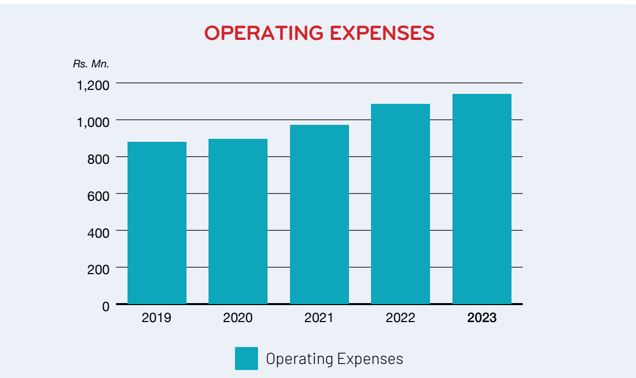
While the lending volumes plummeted, investments in Gold Loans contributed to sustaining the total operating income at a moderate level. The total operating income for the year 2022/2023 declined by 33% year on year owing to the rise in interest costs. During the year, the Company recorded an interest income of Rs. 1,262 Mn from Gold Loans against Rs. 538 Mn recorded in the previous year. The total net Gold Loan stock for the year ending 31st March 2023 ended up at Rs. 4,485 Mn. Further, the reduced other operating income too resulted in a drop in operating income. Further, due to the high-interest environment, the increase of yields from liquid assets, collectively increased the fund-based income of the Company.



OPERATING EXPENSES

Operating expenses include costs incurred to generate current and future income consisting of personnel expenditure, depreciation and amortisation and other operating expenses. Total operating expenses recorded an increase of 5% mainly due to an increase in amortisation of Right of use assets. The Company mainly focused on continued operational efficiencies including prudent cost management initiatives and portfolio preservation to manage the bottom line in a challenging environment. Close monitoring of costs and promoting waste reduction, contributed to keeping the administration, premises, equipment and establishment expenses at a minimum during a challenging year.

Impairment charges for loans and receivables and other losses were Rs. 103 Mn and recorded a slight reduction from Rs. 125 Mn charged in the previous year due to the depletion of loan portfolio. As of 31st March 2023, the gross non-performing ratio also rose to 11.21% from 5.99% a year ago. This increase is reflective of the general deterioration in asset quality, which was witnessed across the industry due to the unprecedented events experienced in Sri Lanka's history, and our prudent approach towards exposures to risk elevated industries and other identified loan categories.

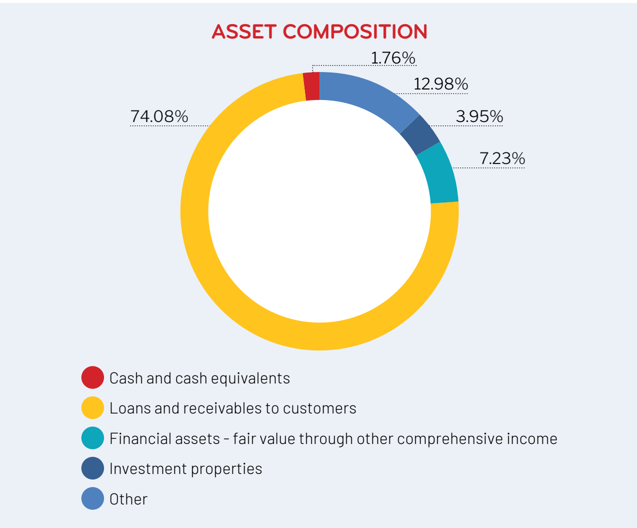


PORTFOLIO GROWTH

The Company's net loans and receivables stood at Rs. 12,941 Mn as at the end of the year 2022/2023 reflecting a contraction of 8% in comparison to the previous year. This portfolio decline resonated with the subdued credit growth that prevailed throughout the year under review.

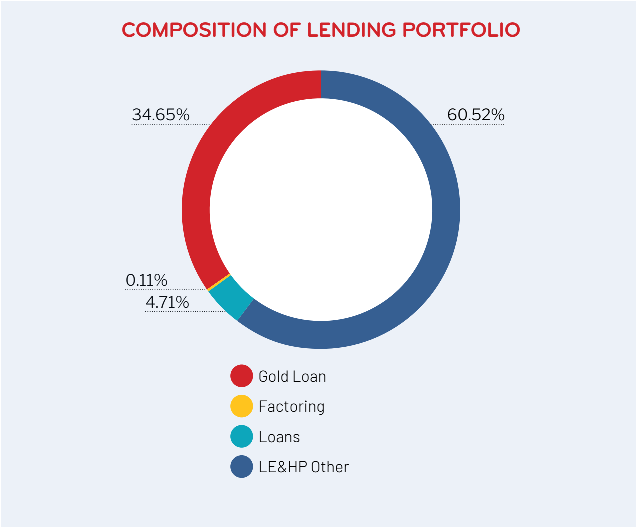
ASSET COMPOSITION

During the year under review, the Company's total asset base reflected a contraction of 1% compared to the previous year, recording a total asset base of Rs. 17,468 Mn (Rs. 17,727 Mn – 2022). 74% of the total asset base consisted of the lending portfolio of the Company while the investment in Government securities grew by 74% during the year which compensated for the low lending growth.



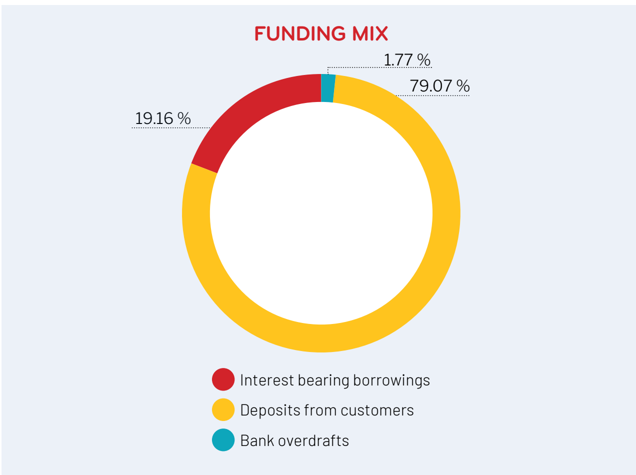
LENDING PORTFOLIO COMPOSITION

The loans and advances portfolio represents 74% of the total assets of the Company out of which Finance Lease Receivables hold 57% and Gold loan facilities hold 35% and other lending facilities represent 08%. While striving for business growth, the Company continued to adhere to strict credit evaluation and risk management policies to ensure portfolio quality. The Company stays alert to industry changes and is highly vigilant on the credit risk exposure as a responsible financial services provider. During the financial year under review, greater focus and efforts were placed on the task of maintaining the quality of the loan portfolio by ensuring strict compliance and diligent risk management measures.

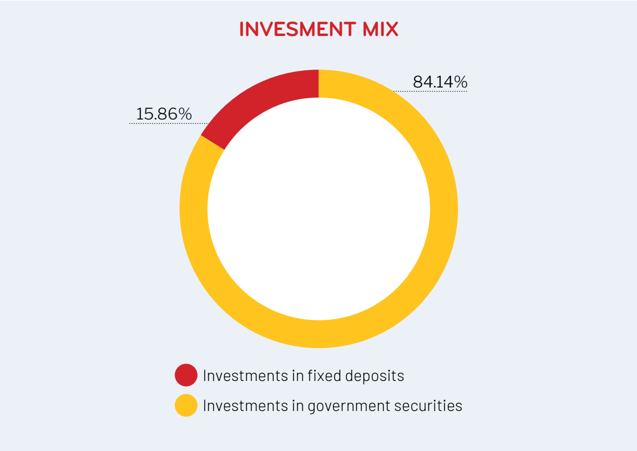


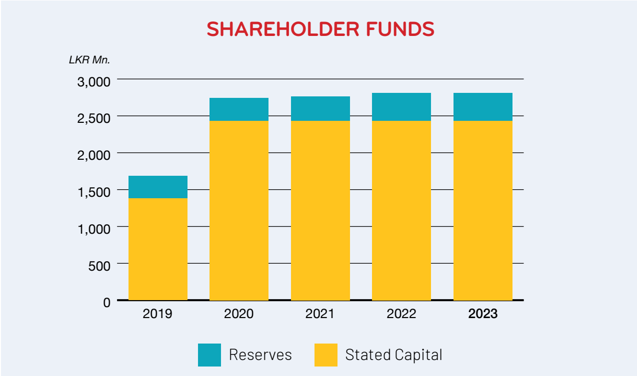
FUNDING AND INVESTMENT

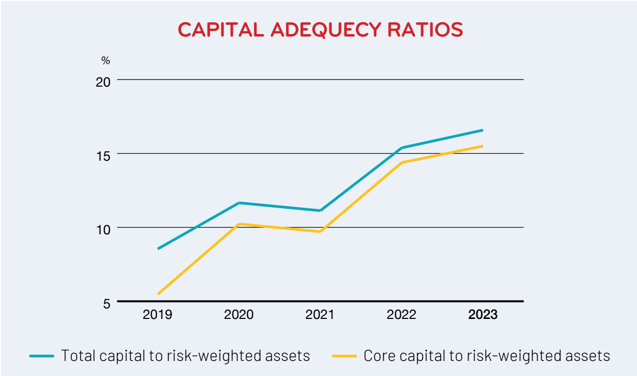
In the financial year under review, the market interest rates continued to increase amidst volatile economic conditions and policy decisions taken by the regulator to control inflation. Even amidst adverse market conditions, the Company was able to attract customer deposits which recorded an increase of 17% year on year to end up with a deposit base of Rs. 10,759 Mn by 31st March 2023. Savings deposits recorded Rs. 59 Mn at the year-end reflecting a rise of 9% compared to the previous year while fixed deposits recorded Rs. 10,701 Mn. Debt funding, collectively representing long-term and short-term loans and securitisation facilities reduced by 33% during the year as a result of the Company's strategy to raise more funds from public deposits due to volatile economic conditions and policy decisions taken by the regulator to control the inflation. The total debt funding as of 31st March 2023 was Rs. 2,607 Mn.



FINANCIAL CAPITAL







INVESTOR INFORMATION

The reduced business volumes and profits in the financial year 2022/2023 led to a decline in Earnings per Share to Rs. (0.34) at the end of the year, from Rs. 2.15 in the previous financial year. The overall slowdown in business and economic activities in the country throughout the financial year affected investor ratios in the industry adversely. Accordingly, the Company's Return on Asset ratio and the Return on Equity ratio also followed a downward momentum. In the year under review, the average ROA (before tax) of the Company was -0.40% against 2.78% in the previous year while the average ROE (before tax) was recorded as (2.18%) against 14.57% in the previous financial year. The Company remained committed to increasing its investor returns on a gradual basis with the expected business growth momentum in the post crisis era of the coming year while diligently steering the Company towards gradual recovery from the impacts of the macroeconomic downturn in the country.

SHAREHOLDERS' FUNDS AND REGULATORY CAPITAL

Shareholders' equity of the Company stood at Rs. 3,281 Mn as of 31st March 2023 reflecting a marginal decrease from the previous year which was Rs. 3,332 Mn. The fall of Rs. 50.9 Mn in shareholders' equity can be primarily attributed to the year's loss, amounting to Rs. 50.9 Mn (Other comprehensive expense). The Company's Tier-i capital amounted to Rs. 1,945 Mn which reflected a core capital to risk-weighted assets ratio of 15.5%(minimum ratio - 8.5%) while the total capital to risk weighted assets ratio stood at 16.58% (minimum ratio - 12.50%) whereby the Company has maintained capital ratios well above regulatory requirements.

MANUFACTURED CAPITAL

Manufactured capital refers to the assortment of physical, material, and technological resources at the disposal of Orient Finance PLC. These resources play a crucial role in enabling us to deliver exceptional services and fulfil our organisational objectives. They encompass tangible assets like properties and branch networks, along with our robust IT infrastructure and network architecture.

MARKET SHARE

Despite the challenges brought about by the economic crisis, the overall market share exhibited a positive growth, increasing from 1.05% to 1.1% in the Financial year 2022/23. Furthermore, OFPLC's market position in relation to its asset base improved significantly, securing the 21st position out of 36 in the Non-Bank Financial Institution (NBFI) industry.

Amidst the prevailing economic difficulties, it is noteworthy that our company has managed to strengthen its foothold in the market. Despite the turbulent times, our market share has experienced a commendable upturn, rising from 1.05% to 1.1% during the Financial year 2022/23. This growth is a testament to our resilience and strategic approach in navigating the challenges posed by the economic crisis.

Moreover, our market position in the NBFI industry has witnessed a remarkable improvement. We have successfully climbed the ranks to secure the 21st position out of 36, based on our asset base. This achievement highlights our commitment to enhancing our standing within the industry and signifies the trust and confidence our stakeholders have placed in us.

BRANCH NETWORK

The Company boasts an extensive island-wide network of 31 outlets, spanning across all provinces of Sri Lanka. Notably, 65% of these outlets are strategically located outside the Western Province. Despite the challenging economic conditions that persisted throughout the year, the Company refrained from establishing new branches. However, we remain committed to our branch network expansion plan, which will be executed once external conditions become more favourable.

Nonetheless, we have diligently pursued efforts to enhance our presence, aiming to increase visibility and accessibility. This has been achieved through the relocation and refurbishment of branches and service centres. Notably, our Kochchikade, Chilaw, Galle, Matara, and Ratnapura branches have undergone extensive refurbishment and upgrading, aligning them with our customer-centric approach. Additionally, during the year, we relocated our Jaffna branch to ensure ease of access and provide an enhanced level of service.

MANUFACTURED CAPITAL

BRANCH REFURBISHMENT

Branch	Expenditure
Kochchikade	3.59 Mn
Chilaw	2.34 Mn
Galle	1.90 Mn
Matara	2.73 Mn
Ratnapura	4.89 Mn

BRANCH RELOCATION

Branch	Expenditure
Jaffna	4.91 Mn

During the year, we continued to strengthen digital platforms and engagement to meet evolving customer requirements. A new core banking system was implemented to infuse greater efficiencies. Meanwhile, the company has several new products in the pipeline to cater to the emerging needs of customers.

As we continue to face the uncertainties of the economic landscape, we remain steadfast in our pursuit of excellence. Our dedication to delivering exceptional services and our ability to adapt to changing market conditions have been instrumental in our progress. We are determined to build upon this success and further solidify our position as a leading player in the NBFI industry.

HUMAN CAPITAL

OFPLC's Human Capital refers to the collective knowledge, expertise and innovative mindset of its employees and consists of a diverse and talented team that thrives in the supportive workplace culture provided by the company in order for them to reach their true potential. Employees are the company's greatest asset and the company's strategic human resource framework provides ample opportunities for them to enhance their knowledge to create value for all stakeholders. During the year under review, the company laid strong emphasis on becoming an employer of choice and creating a work environment that truly promotes employee satisfaction and opportunities for growth.

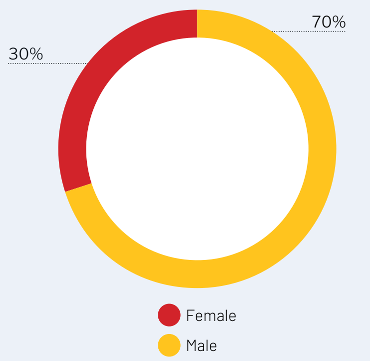
No. of Employees
492

No. of Promotions
33

Investment in training
Rs. 1.1 Mn

No. of Training Hours
67

GENDER WISE NO. OF EMPLOYEES



Service Wise

	No. of Employees	%
Above 20 years	3	0.61
16-20 Years	18	3.66
10-15 years	49	9.96
Below 10 years	422	85.77
Total	492	100

Region Wise

	No. of Employees	%
Metro 02 Region	56	11.38
Central Region	66	13.41
Eastern Region	48	9.76
Western Region	183	37.20
Southern Region	63	12.80
Northern Region	35	7.11
Metro 01 Region	41	8.34
Total	492	100

EQUAL OPPORTUNITY EMPLOYER

As an equal opportunity employer, we uphold a strict policy of zero tolerance towards any form of discrimination. Our unwavering commitment lies in cultivating a diverse workforce by actively attracting talented individuals from a wide range of backgrounds.

HUMAN CAPITAL

FOCUS DURING 2022/23

Throughout the past year, our company has placed a significant emphasis on becoming an employer of choice and fostering a work environment that genuinely promotes employee satisfaction and growth opportunities.

In our pursuit of excellence, we have strived to create an atmosphere where our employees feel valued, motivated, and inspired to reach their full potential. We firmly believe that by prioritising their well-being and professional development, we can cultivate a team of dedicated individuals who are committed to delivering exceptional results.

To achieve this, we have implemented various initiatives aimed at enhancing employee satisfaction. We have actively sought feedback from our workforce, ensuring their voices are heard and their concerns addressed. By fostering open communication channels, we have created a platform for collaboration and innovation, allowing our employees to contribute their unique perspectives and ideas.

Furthermore, we have invested in comprehensive training and development programs to equip our employees with the necessary skills and knowledge to excel in their roles. We understand that by providing them with opportunities for growth, we not only enhance their individual capabilities but also strengthen our organisation as a whole.

PERFORMANCE APPRAISAL

The method used for appraising the performance of employees is the category rating method, which requires a manager to mark an employee's level of performance and goals/KPIs are established at the beginning of the financial year, with periodic evaluations. Rewards and recognition are based on the scores achieved by individual employees.

The company relies on an efficient and professional sales force to expand its customer portfolio and achieve sales targets. In order to incentivize field force, the pay structure is linked to performance which promotes a transparent and winning culture. Weak employees are given the necessary support and training to improve efficiency.

EMPLOYEE RECOGNITION

Considering humankind's deep-seated need to be appreciated, the company revels in celebrating employees who have delivered extraordinary performances. The best performers are selected on a monthly, quarterly and annual basis, coupled with rewards for branches and regions, altogether building continued motivation.

LEARNING & DEVELOPMENT

The company is focused on promoting learning opportunities through various interventions aimed at developing our workforce. One of the main initiatives is our learning management system an e-learning platform on which all the curriculum related to products, established processes and procedures are uploaded for the staff to access and complete the modules with ease and at their own pace. This intervention has helped manage and build talent while upskilling employees to be at the cutting edge of technical knowledge in the industry.

EMPLOYEE ENGAGEMENT

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

WORK-LIFE BALANCE

The company's primary aim is to develop a happy and motivated workforce that adds value to the organisation and feels rewarded in return for their efforts. To act on this, several benefits are offered to employees – life and health insurance, flexible working arrangements, and membership reimbursement facility. In addition, there are several performance-linked benefits to motivate the workforce.

In order to promote gender equity, the company offers extended maternity benefits to encourage women to prioritise their health and household responsibilities and return to work at a leisurely pace.

Seeing as fitness and healthy living are also key priorities, the company offers special rates for membership to the Power World Gymnasium to encourage staff to make fitness a priority. In addition, an array of events is held throughout the year to engage staff and promote a mindful work-life balance. The company also offers memberships to cricket and badminton sports clubs, and organises sports carnivals, with games and activities. Regional wise staff gatherings arrange staff appreciation events.

ENDORSED AS A GREAT PLACE TO WORK

OFPLC received the prestigious Great Place to Work® Certification™ for the 2nd year in a row, reinforcing its position as a great workplace in Sri Lanka and reflecting the company's dedication to fostering a positive work culture for their employees who are considered the organisation's most valuable assets. Great Place to Work® is an independent analyst that conducts anonymous employee surveys and culture audits to evaluate workplace practices and culture. Based on their analysis, they help organisations develop high-trust, high-performance workplace cultures that promote employee well-being and business success. To become certified, companies undergo a thorough vetting process that includes employee feedback, workplace policies, and practices. The Certification™ is based on a rigorous evaluation of company culture, which includes an assessment of trust, fairness, respect, and camaraderie in the workplace.

The company reported a participation rate of 81% in the Great Place to Work® Trust Index© Employee Perception Survey which indicates the commitment of their employees to engagement, as well as their receptiveness to take action in order to build an exceptional workplace culture.

INTELLECTUAL CAPITAL

Knowledge empowers and drives corporate growth. Our intellectual capital showcases a wealth of expertise and resources, forging a formidable competitive advantage that fuels our company's development.

Embracing rapid digitalization, we now offer customers a wide range of convenient platforms to engage with OFPLC. Client onboarding is on the verge of a seamless digital transformation, and our partnership with National Development Bank (NDB) and Cargills Payments enables access to the NDB Neos app and Cargills network for hassle-free monthly rental payments. Experience an expansive reach and unparalleled convenience - all at your fingertips.

PRODUCTS

- Leasing
- Gold Loan
- Fixed Deposits

PRODUCT RE-LAUNCHES

- Orient Minor Saving
- Orient FD PLUS

NEW PRODUCT LAUNCHES

- "Wakalah" term investments and "Ijarah leasing" for Alternate Finance solutions

PROCESS IMPROVEMENTS

In our relentless pursuit of continuous improvement, we have successfully enhanced two crucial processes. Firstly, we have transformed the credit appraisal process chain into an efficient online system. This significant upgrade has drastically reduced the processing time from the previous method of handling hard copy customer documents. Now, we are proud to complete the credit appraisal process within a single day.

Furthermore, our operations department underwent a comprehensive restructuring after a meticulous analysis of our business processes and the time required for each step. As a result, we have successfully divided the department into two Strategic Business Units (SBUs). This strategic decision allows us to streamline our operations by segregating asset processing and liability management, ensuring optimal efficiency and effectiveness.

BRAND EQUITY

Orient Finance PLC is recognised as an innovative and customer-centric financial service provider. We pride ourselves on introducing timely product offerings, supported by a dedicated and professional team. Our reputation is further strengthened by our esteemed parent company, the JXG Group.

To enhance our brand, we consistently maintain visibility on both traditional and social media platforms. Our commitment to building a strong presence ensures that our customers are well informed and connected with our offerings.

IT

The Company was able to successfully carry out value-adding projects, enabling it to reallocate and re-provision the IT resources more efficiently to improve IT infrastructure and services.

Over the past year, we have successfully migrated our core banking system to a state-of-the-art platform specifically designed for fixed deposits and savings products. This cutting-edge system allows our esteemed customers to interact seamlessly with our company using various devices, including smartphones and tablets.

The implementation of this new system involved a meticulous re-engineering of our business processes, resulting in a significant reduction in overall turnaround time and a remarkable improvement in operational efficiency. We are proud to report that these enhancements have greatly benefited both our valued customers and our organisation as a whole.

Furthermore, we diligently carried out essential updates to our infrastructure to ensure the seamless integration and optimal performance of our newly implemented system. These necessary infrastructure updates have further strengthened our ability to provide exceptional services to our esteemed clientele.

CUSTOMER COMPLAINTS MANAGEMENT

At our company, we highly value customer feedback regarding our products and services. We understand the importance of addressing any concerns our customers may have, and we have implemented various channels to ensure easy accessibility for them.

We actively encourage our customers to share their thoughts and opinions, as we believe this helps us improve our offerings and provide a better experience overall. We have established multiple avenues through which customers can reach out to us with their concerns, ensuring that their voices are heard, and their issues are promptly addressed.

BUILDING A WINNING CULTURE

The team at OFCPLC has demonstrated resilience and perseverance amidst unfavourable economic conditions. In building this culture of collaboration to help all team members thrive, the company promotes training and development, sharing new advancements in banking regulations with staff whilst eliciting feedback from customers to understand where its strengths and weaknesses lie.

During the year under review, we conducted customised training and development programs covering all levels of employees in the forms of knowledge acquisition workshops, knowledge sharing sessions, experience sharing sessions – all of which have developed the competency levels of the Team.

In the company's pursuit to meet customer expectations, it undergoes processes of constant product and service innovation to respond to evolving needs and external circumstances. As a result, the company has devised 3 new products – Green Loans, Eco Leases and Daily Saver – as products that reflect the current needs of the present time.

INTELLECTUAL CAPITAL

OUR PRODUCTS AND SERVICES

LEASING

At Orient Finance, we take pride in being your unique financial solution provider, offering a diverse range of lease assets for both individuals and corporations. But more than that, we understand that behind every lease, there's a dream waiting to be fulfilled.

With Orient Finance, you'll discover a world of possibilities, where flexibility, affordability, and convenience come together to create hassle-free leasing and purchase offers tailored just for you. Our human touch ensures that we listen to your needs, understand your aspirations, and help you find the perfect leasing solution to turn your dreams into reality.

GOLD LOAN

We believe that your precious gold deserves the utmost care and respect. That's why our Orient Gold Loans offer you the highest advance amount for your treasured sovereign, ensuring you get the best returns for your trust in us.

With Orient Finance Gold Loans, you'll discover the most competitive interest rates in the market for your sovereign, without compromising on the security of your precious asset. Your peace of mind is our priority, and we guarantee maximum security and customer confidentiality throughout the entire process. Our dedicated team is committed to providing fast and efficient customer service, making the entire borrowing experience smooth and stress-free. We understand the value of your time and your gold, and we are here to make sure you receive the support you deserve.

FIXED DEPOSITS

At Orient Finance, we take immense pride in offering you the best rates for fixed deposits and savings in Sri Lanka. Our wide range of deposit options is carefully designed to cater to your unique requirements and financial goals.

For our esteemed senior citizens aged 60 years and above, we go the extra mile by offering an additional interest rate of up to 0.5% p.a. Because we believe in recognising the wisdom and experience that comes with age, and we are committed to ensuring your golden years are financially secure.

With our attractive and competitive interest rates, you can sit back and watch your investment flourish. Let us be your partner in growth, guiding you towards a future of financial abundance and stability.

FD PLUS

We are delighted to present Orient FD Plus, a special fixed deposit scheme that goes beyond traditional investments. It's not just a fixed deposit, but a unique financial solution that combines the power of investment with the assurance of life insurance cover and critical illness protection.

We understand that life is unpredictable, and financial security is essential for you and your loved ones. With Orient FD Plus, you not only enjoy financial stability through a fixed deposit but also gain enhanced life protection, providing you with peace of mind. Orient FD plus is completely customizable to suit your specific needs and aspirations. We believe in tailoring our solutions to fit your unique circumstances, ensuring that you receive the maximum benefit and protection.

MINOR SAVINGS

At Orient Finance, we believe in laying the foundation for a bright and secure financial future for your children. That's why we are thrilled to introduce Orient Minor Savings, an account specially designed to offer attractive benefits for young savers in Sri Lanka.

With Orient Minor Savings, you not only provide a safe place for your kids' money but also instill in them the invaluable habit of saving from an early age. We understand the importance of nurturing financial literacy and responsibility, and this account is the perfect stepping stone.

As your children watch their savings grow, they will learn valuable lessons about money management, goal setting, and the rewards of disciplined saving. At Orient Finance, we are committed to empowering the next generation, ensuring they have the tools to achieve their dreams.

TUK LEASING

Orient Tuk Leasing is a unique leasing product that unlocks the door to your very own Three-wheel unit. Whether you're a Tuk hirer or a business owner, our goal is to provide you with the maximum lease amount and cater to your specific needs with tailor-made rental packages.

We understand that convenience is crucial, which is why we bring hassle-free service right to your doorstep. With Orient Tuk Leasing, the process is smooth, the paperwork is minimal, and the freedom to hit the road awaits you. Let us be your trusted companion on this exciting journey, ensuring that you experience the joy of Tuk-tuk ownership without any worries. Welcome to Orient Tuk Leasing - where freedom, convenience, and personalised service drive you forward.

ISLAMIC FINANCE

Since commencing operations in 2021, the Orient Alternative Finance Business Unit has been committed to revolutionising the financial landscape. Licensed by the Central Bank of Sri Lanka to conduct Islamic financial services and mobilize deposits, we offer an exclusive Islamic banking proposition for businesses, embracing all communities regardless of ethnicity.

At Orient Alternative Finance Business Unit, our foundation is built on strong principles and values. We take pride in providing Islamic products based on a non-interest agency model, fully compliant with Shariah principles. With us, you can experience a new way of forward financial solutions that align with your beliefs and aspirations.

Our dedication and innovation have been recognised, and we are honored to be awarded the Emerging Islamic Finance entity of the year 2022/23.

Welcome to a world where finance meets faith, where values lead the way. Embrace the future with Orient Alternative Finance, where every step we take is guided by integrity and inclusivity. Let's build a better tomorrow together!

SOCIAL AND RELATIONSHIP CAPITAL

Our company creates sustainable value for our stakeholders and society at large by engaging with them on an ongoing basis. Our stakeholders consist of employees, customers, community, business partners and suppliers – all of whom have an impact on the organisation just as much as the company's operations impact them. We value these connections and nurture them while soliciting feedback on how we can do more to fulfil their requirements and meet their expectations of the company.

CUSTOMER

The company strategically fosters a deep emotional connection between the OFPLC brand and our valued customers through a range of customer engagement initiatives that cultivate loyalty. These initiatives encompass a multitude of benefits and incentives that are seamlessly integrated into our touch points.

In the Financial year 2022/23, we forged a partnership with Greeze_Monkey.lk to offer our customers discounted rates on vehicle consumable items. Additionally, we collaborated with Amana Takaful Insurance to provide free insurance coverage for our esteemed FD holders under FD PLUS. As a result of our commitment to enhancing customer convenience, OFPLC customers can now take advantage of our arrangement with NDB, enabling them to utilise the Neos app and Cargills outlets as additional payment gateways.

Despite the temporary reduction in core lending activities for three quarters, OFPLC remains steadfast in our dedication to retaining our existing client base. We achieve this by offering more flexible repayment arrangements and providing working capital financing to support our clients in revitalising their businesses. These proactive measures, coupled with the expansion of our FD, savings, and gold loan operations, have resulted in a robust client base of approximately 9,000 individuals, encompassing both new and loyal members.

PRODUCT RANGE:

LENDING:

Leasing, Mortgage Loans, FD PLUS, Ijarahah, Vehicle Loans, Education Loans, Personal Loans, Working Capital Financing, Gold Loans

LIABILITY PRODUCTS:

Fixed Deposits

Normal, Senior Citizen, FD PLUS

Savings

Normal, Orient Minor

Investment

Wakalah Investments

MARCOM

As a responsible corporate entity, we diligently implement a comprehensive marketing and branding strategy with utmost transparency. We ensure that relevant information regarding our products and services is disclosed in three languages: English, Sinhala, and Tamil. Our marketing communications are primarily conducted through cutting-edge technology, utilizing digital marketing, outdoor media, digital screens, cinema screens, and traditional advertising on various media platforms.

Throughout the year, OFPLC has effectively utilized all social media platforms to promote, communicate, and engage with both our existing and potential customers. Platforms such as Facebook, Instagram, LinkedIn, and WhatsApp have been instrumental in generating leads for our business. Our lead generation campaigns have been meticulously tailored to specific target audiences, ensuring their effectiveness and success.

By leveraging the power of these platforms, we have successfully connected with our customers, fostering meaningful relationships and driving growth for our business. Our commitment to utilising technology and embracing innovative marketing strategies sets us apart as a forward-thinking organisation in today's competitive market.

Total No of Postings in the FY : Overall 38,000 engagements were recorded with the postings.

Total no of engagements : The FB page has recorded 1.3 Mn impressions during the year and 17,000 new engagements with the OFPLC page

Total no of led generation campaigns in the FY : During the year approx 30 lead generation campaigns were conducted with 1,300 organic shares.

OFPLC FB page reached 58,000 followers during the year with page being liked by 57,000 users.

Orient Finance PLC has taken a significant step in enhancing its digital marketing strategy by upgrading and launching its website, www.orientfinance.lk. This revamped platform offers novel value additions and contemporary features, aimed at providing customers with a delightful online experience. It serves as the first phase towards the development of a fully-fledged app, scheduled to be launched within the Financial year 2023/2024.

The newly upgraded OFPLC website boasts several exciting features, including a personalised loan calculator and an FD interest assessor. These tools empower users to effortlessly calculate rental and interest rates, making financial planning more convenient than ever before.

AWARDS & ACCOLADES

GREAT PLACE TO WORK CERTIFICATION

Orient Finance PLC won a Great Place to Work award in 2022, following a rigorous, independent survey conducted by the Great Place Research & Consultancy (Pvt) Ltd by obtaining confidential feedback from our employees. The Great Place to Work Certification honours employers who create a safe, conducive work space for employees to thrive. Obtaining the Great Place to Work Certificate involves a two-step process- employee survey followed by a short questionnaire about the workforce. The Great Place to Work Certification is a research-backed, globally accepted verification of a great company culture. As such, the certification is a testament to the effectiveness of our human capital growth strategies and great company culture.

Tag Awards

Runners up at the 44th Annual Mercantile Hockey Seven-a-side Tournament 2022

SOCIAL AND RELATIONSHIP CAPITAL

Annual Report 2021/22 – Silver Award

Merit Award for Social Media Campaign of the year 2022/23 from SLIBF Awards

Emerging Islamic Finance Entity of the Year 2022/23

BUSINESS PARTNERS

To establish a competitive advantage in today's demanding business landscape, we foster close collaborations with our esteemed business partners. These partnerships are built on mutual benefits, allowing us to create value together. Our business partners play a crucial role in supporting our strategic goals and ensuring that our operations are aligned with our corporate vision.

By working hand in hand with our trusted partners, we are able to navigate the challenges of the business world more effectively. This collaborative approach enables us to leverage their expertise, resources, and networks, ultimately enhancing our overall performance and market position.

We recognise the significance of these relationships and the positive impact they have on our organisation. Our business partners bring unique perspectives, innovative ideas, and specialised knowledge to the table, enriching our decision-making processes and driving continuous improvement.

Moreover, our partnerships extend beyond mere transactions. We strive to cultivate long-term, sustainable relationships based on trust, transparency, and shared values. By fostering a culture of open communication and collaboration, we ensure that our partnerships thrive and evolve over time.

COMMUNITY

At our company, we are dedicated to maintaining exceptional business practices and actively working towards becoming responsible corporate citizen. We believe in fostering positive relationships with local communities, while always prioritising transparency and fairness in our interactions. Our ultimate goal is to bring substantial socio-economic benefits to uplift the well-being of individuals, especially those from underprivileged communities. By engaging with and supporting these communities, we aim to make a meaningful and lasting impact on their lives.

CORPORATE SOCIAL RESPONSIBILITY

The Panadura branch has taken a proactive initiative to support children from low-income backgrounds by selecting a group of Threewheel clients as beneficiaries. In January 2022, the branch facilitated a project aimed at providing essential educational resources, including schoolbooks, bags, and shoes. By extending a helping hand, the branch aimed to ensure that these children could continue their education without any obstacles. This thoughtful promotion not only showcases the branch's commitment to corporate social responsibility but also emphasises its dedication to empowering the local community. By specifically targeting children from low-income households, the branch recognises the importance of providing equal opportunities for education to all, regardless of financial circumstances.

In response to a request from the Principal of St. Anthony's Girls School, Panadura, the branch initiated a meaningful project. Recognising the urgent need to support children from low-income families, the branch took proactive steps to provide essential resources. In August 2022, the Panadura team successfully organised a project aimed at addressing the nutritional needs of these deserving children. In collaboration with St. Anthony's Girls School, the branch distributed nutritious lunch packets, ensuring that the children received a wholesome meal to fuel their learning and development. Furthermore, the Panadura branch went above and beyond by providing dry rations to further support the families of these children. By extending this assistance, the branch aimed to alleviate some of the financial burdens faced by these households and contribute to their overall well-being.

This initiative demonstrates the Panadura branch's commitment to making a positive impact on the lives of children from low-income backgrounds. By providing essential educational resources and addressing nutritional needs, the branch is actively working towards creating equal opportunities for all children, regardless of their financial circumstances.

NATURAL CAPITAL

Orient Finance PLC preserves its natural capital by championing environmental stewardship to protect renewable energy sources. While our operational impact on the environment, as a finance company, may not be extensive, we are fully aware of our responsibility to contribute and act responsibly in our business operations.

We are unwavering in our commitment to adhere strictly to all environmental guidelines and best practices in order to achieve our corporate sustainability goals. By doing so, we aim to ensure the preservation of our natural resources and promote a greener future.

At Orient Finance PLC, we recognise the importance of safeguarding the environment and understand that sustainable practices are crucial for the well-being of our planet. We actively seek opportunities to minimise our ecological footprint and actively support initiatives that promote renewable energy.

Through our dedication to environmental stewardship, we strive to set an example for other organisations in the finance industry. By integrating sustainable practices into our operations, we not only fulfill our corporate social responsibility but also contribute to the long-term viability of our business.

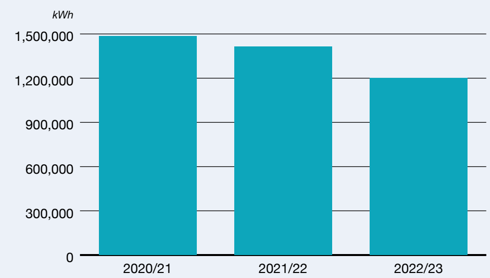
As a responsible financial institution, we continuously evaluate and improve our processes to minimise any negative impact on the environment. We invest in technologies and systems that promote energy efficiency and reduce waste generation. Additionally, we encourage our employees to adopt eco-friendly practices both at work and in their personal lives.

By aligning our business objectives with environmental sustainability, we aim to create a positive impact on the communities we serve. We believe that by preserving our natural capital, we can contribute to a healthier and more prosperous future for generations to come.

ENERGY FOOTPRINT

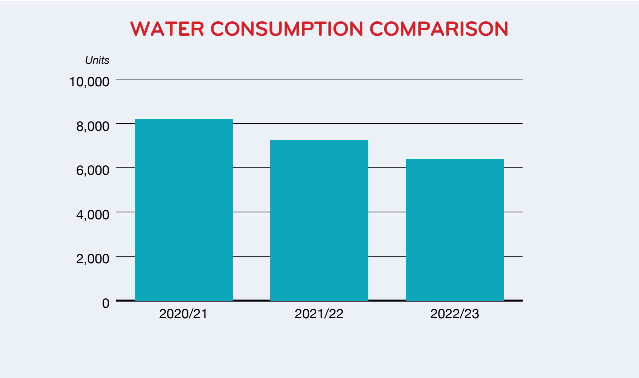
During the year, the company undertook LED Lighting Upgrades by replacing traditional incandescent or fluorescent lights with energy-efficient LED bulbs. A/Cs used were programmed to turn off in a certain amount of time, and temperatures were adjusted when individuals were away or during certain hours. Smart Scheduling has helped optimise the elevator's scheduling system to minimise inefficient trips.

ENERGY CONSUMPTION COMPARISON



WATER FOOTPRINT

Awareness and Education initiatives have been undertaken to implement water-saving awareness programs to educate employees about the importance of water conservation and provide tips for reducing water waste in their daily activities.



WASTE MANAGEMENT

We have developed our waste management framework around the principles of the 3R (Reduce, Reuse, and Recycle). As a financial institution, we recognise that paper usage is the primary source of waste generated on a daily basis. However, we are committed to exploring effective strategies to minimise our paper consumption.

One significant step we have taken is the implementation of an E-learning platform. This innovative solution has not only allowed us to decrease our reliance on paper but has also provided our employees with a more efficient and accessible means of training and development.

Furthermore, we have recently introduced a state-of-the-art IT system that enables us to engage with our customers digitally. By embracing this technology, we have successfully reduced the need for paper-based communication, such as physical statements and documents. This not only benefits the environment but also enhances the convenience and speed of our services for our valued customers.

KEY ORGANISATIONAL OUTCOMES MAP

FINANCIAL

Revenue
Rs. 3,820 Mn

Profit/Loss After Tax
Rs. (72) Mn

Total Capital Adequacy Ratio
15.50%

CUSTOMER

NPL Ratio
11.21%

Customised loan repayment solutions

Assistance and guidance for customer business growth

INTERNAL OPERATIONS

Training & Development
Rs. 1.1 Mn

Training Hours
67

Digitalisation drive & IT infrastructure investment

LEARNING GROWTH

Increase customer advocacy

Compliance and best practice adherence

Digitalisation and developing scalable processes

DRAGON – TATSU

JAPANESE DRAGONS ARE REVERED AS BENEVOLENT BEINGS, SERVING AS ESTEEMED BENEFACTORS AND PROTECTORS OF MANKIND. THESE MAJESTIC CREATURES EMBODY IMMENSE POWER AND WISDOM, STANDING AS UNWAVERING GUARDIANS SHIELDING US FROM THE PERILS OF THE UNIVERSE. IN THE REALM OF FINANCE, ORIENT FINANCE PLC HAS CONSISTENTLY EMERGED AS A PIONEERING FORCE WITHIN THE FINANCE INDUSTRY, DILIGENTLY SAFEGUARDING THE INTERESTS OF ALL ITS STAKEHOLDERS. BY IMPARTING THEIR PROFOUND WISDOM TO THE EXPERTS, ORIENT FINANCE PLC ENSURES COMPREHENSIVE GUIDANCE FOR ALL.

Responsibility

BOARD OF DIRECTORS

Standing Left to Right

Mr. Rajendra Theyagarajah - *Chairman/Independent Non-Executive Director*

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

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

Mr. Nalin B. Karunarathne - *Non-Independent Non-Executive Director*

Ms. Minette Perera - *Non-Independent Non-Executive Director*

Mr. Sriyan Cooray - *Independent Non-Executive Director*

Ms. Indrani Goonesekera - *Independent Non-Executive Director*

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

BOARD OF DIRECTORS PROFILES

MR. RAJENDRA THEAGARAJAH
Chairman/Independent Non-Executive Director

Mr. Theagarajah is a Fellow Member of the Chartered Institute of Management Accountants, UK, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Master of Business Administration from Cranfield School of Business, UK. Professional Experience: A veteran banker, Mr. Rajendra Theagarajah had a highly successful career in banking both in the United Kingdom and Sri Lanka.

During his 36 year career, he spent the last 16 years as the CEO of three licensed commercial banks in Sri Lanka and made significant contributions towards policy advocacy issues such as the Corporate Governance Framework for Banks, Basel III adoption and Fair Value Accounting by Banks, Financial Inclusion and more recently development of Fintec Sand Box-framework for Banks. During this period he chaired the Sri Lanka Banks Association, the Asian Banks Association and Lanka Financial Services Bureau. He also served on the boards of Lanka Clear, and Colombo Stock Exchange and as Chairman of Ceylon Chamber of Commerce (2017-19). He currently serves on the Boards of Siam City, Sri Lanka (Pvt) Ltd. and Carson Cumberbatch PLC. In 2022, he received the title "Chairman Emeritus" of The Asian Banks Association for his outstanding contribution.

Mr. Theagarajah is also a Senior Visiting Fellow of the Pathfinder Foundation, a leading think tank in Sri Lanka. Mr. Rajendra Theagarajah was appointed as the chairman of the company with effect from 27th April 2022.

MR. K.M.M. JABIR
Executive Director/Chief Executive Officer

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

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

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

Mr. Jabir has 38 years of experience in the Banking and Finance Industry.

MR. PRAKASH SCHAFFTER

Non-Independent Non-Executive Director

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

He has also served as President and Secretary of the Tamil Union Cricket and Athletic Club. He is a former Secretary of Sri Lanka Cricket, having served on three separate occasions on Interim Committees appointed by the Government.

MR. NALIN B. KARUNARATNE

Independent Non-Executive Director

Mr. Nalin B. Karunaratne is the Director/CEO of Ceylon Biscuits Limited and CBL Exports (Pvt) Limited. Furthermore, he represents the director board of Plenty Foods India LLP, CBL Foods International (Pvt) Limited and Ceylon Biscuits Bangladesh (Pvt) Limited.

He is a Fellow of The Chartered Institute of Marketing (CIM, UK) & a Fellow & CGMA member of The Chartered Institute of Management Accountants (CIMA, UK) & he is a council member of the Employees' Federation of Ceylon. He received his executive education from IMD Business School, Switzerland, Asian Institute of Management, Manila.

Before taking up his current position, he has previously held the positions as Commercial Director and EXCO member of- Lafarge Holcim (Lanka) Limited, General Manager of Sales of Akzo Nobel Paints (Lanka) Limited, Head of Marketing at Reckitt Benckiser and Marketing positions at ICL and Darley Butler.

BOARD OF DIRECTORS PROFILES

MS. MINETTE PERERA
Non-Independent Non-Executive Director

Ms. Minette Perera was the Group Finance Director of the MJF Group from September 2000 till March 2013. The MJF Group comprises a fully vertically integrated tea operation with presence along the entire value chain and includes Companies with the finest tea gardens, factories, printing and packaging facilities and markets "Dilmah Tea" around the world. The Leisure Sector of the MJF Group marketed by Resplendent Ceylon Private Limited, includes Companies which sets the benchmark for luxury boutique resorts in Sri Lanka.

During the period of her employment with the MJF Group, Ms. Perera was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in several Companies of the MJF Group.

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.

She is currently a Non-Executive Director of several Companies including Dilmah Ceylon Tea Company PLC, Kahawatte Plantations PLC, Talawakelle Tea Estates PLC, First Capital PLC and Forbes & Walker (Pvt) Limited.

MR. SRIYAN COORAY
Independent Non-Executive Director

Mr. Sriyan Cooray currently serves as an Independent Non-Executive Director on the Board of the National Development Bank PLC and was appointed as the Chairman of the Board from 1st June 2022. He also chairs the Integrated Risk Management Committee and also serves on the Audit Committee, Strategic Issues Committee, Related Party Transaction Review Committee, Human Resources and Remuneration Committee and the Nominations Committee. He is a Fellow Member of the Chartered Institute of Management Accountants of the UK. An accomplished banker with 28 years of experience at HSBC. Mr. Cooray has served in a wide range of areas ranging from Finance, Operations, Compliance, Administration and Retail Banking at HSBC and retired from HSBC – Sri Lanka and Maldives as the Chief Operating Officer in May 2018. Whilst at HSBC, Mr. Cooray has also served on its Executive Committee for 25 years, a member of the Board of Trustees of the HSBC Provident and Pension Fund and served on many internal committees of HSBC including the Assets and Liabilities Committee, Human Resource Policy Review Committee, HSBC's IT Steering Committee and Chaired the Management Committee which comprised the bank's second tier management.

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

MS. INDRANI GOONESEKERA
Independent Non-Executive Director

Ms. Indrani Goonesekera is a Legal Consultant. She was the former Head of Legal of the Hatton National Bank PLC a leading licensed commercial bank and a company listed on the Colombo Stock Exchange. She has served on the Bank's Corporate Management for over 15 years and has functioned in the post of Deputy General Manager (Legal) for over 11 years, being overall responsible for advising and guiding the Bank on all legal aspects of the banking business and other operations. In addition to the post of Deputy General Manager (Legal), she was also the Board Secretary of the Bank responsible inter alia for advising and guiding the Board in complying with all laws, rules, regulations procedures applicable to the Bank as an incorporated company, as a Licensed Commercial Bank by the Monetary Board of the Central Bank of Sri Lanka and as a Company listed on the Colombo Stock Exchange. She was also an Advisor to the Chairman of the Board of Directors of the Bank for a brief period. She has had 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, the 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 31 years of experience as a Banker of which the last 7 years was as a member of the Corporate Management of two banks namely, NDB Bank and Cargills Bank. His immediate past appointment had been as the Chief Commercial Officer of Cargills Bank where he headed the SME and Retail Banking portfolios as well as the marketing aspects of the Bank. Prior to that, he had been at Senior Management level for 3 years. Mr. Ratnayake possesses a Certificate in Finance from the Institute of Financial Services - UK, MBA from the University of Wales - UK, and a Certificate in SME Lending from Omega Institute, IFC.

He is well versed in all areas of Banking especially Retail, Agri Micro finance, Corporate and SME credit. He has been an integral part of critical committees of Banks including ALCO, and 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 payment 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 of Corporate Affairs at Kings Hospital Colombo Pvt Ltd.

CORPORATE MANAGEMENT

Standing Left to Right

Mr. Nuwan Nilantha - *Senior Manager - Treasury*

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

Mr. Dhanuka Tharanga Perera - *AGM - Gold Loan*

Ms. Gayani Godellawatta - *Head of Risk and Compliance*

Mr. Priyan Jayakody - *Chief Internal Auditor*

Mr. Manjula Tennakoon - *Chief Financial Officer*

Mr. Saminda Ratnayake - *Head of Channels*

Mr. Chatura Kulatilaka - *Head of Information Communication Technology*

Ms. Prasadi Perera - *AGM - Operations*

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

SENIOR MANAGEMENT

Standing Left to Right

Mr. Ajith Edirisinghe - *Senior Manager - Credit Risk Administration*

Ms. Roshani De Silva - *Manager - Legal*

Mr. Mario Fonseka - *Manager - Administration*

Mr. Duminda Wijewardena - *Manager - Recovery*

Mr. Shairman Kaluaarachchi - *Senior Manager - Fund Mobilisation*

Mr. Mohommad Azhar Mohommad Arshath - *Manager - Internal Controls*

REGIONAL MANAGEMENT

Standing Left to Right

Mr. K.M.N. Jayasekara (Naleen Jayasekara) - *Regional Manager – Southern Region*

Mr. V.D.R. Chaminda (Roshantha Chaminda) - *Regional Manager – Eastern Region*

Mr. A. Suren (Alagaratnam Suren) - *Regional Manager – Northern Region*

Mr. L.A.D.R.S. Perera (Ruchira Perera) - *Regional Manager – Central Region*

Mr. S. Varathan (Sockalingam Varathan) - *Regional Manager – Western Region*

Mr. R.M.A.K.D.N. Kumara (Dileepa Rajapaksha) - *Regional Manager – Metro II Region*

Mr. M.A. Ifath (Muhammed Ifath) - *Regional Manager – Metro I Region*

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 organisation with applicable laws and regulations.

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

- The Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- Financial Transactions Reporting Act No. 06 of 2006 and other related legislations.

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

- Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by Central Bank of Sri Lanka
- 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, rules and code are summarised in the table below.

COMPLIANCE WITH THE FINANCE BUSINESS ACT DIRECTION

Status of compliance with the Finance Business Act Direction No. 05 of 2021 (Corporate Governance) issued by Central Bank of Sri Lanka

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
1. OVERALL RESPONSIBILITIES OF THE BOARD			
1.1	Overall responsibility and accountability	The Board assumed overall responsibility and accountability for the operations of the Company by setting up the strategic direction, Governance Framework, establishing the corporate culture and ensuring compliance with all regulatory requirements to drive the organisation into a sustainable future. The Board responsibility and accountability is outlined in the Corporate Governance Framework of the Company.	Complied
1.2 Business Strategy and Governance Framework			
a)	Approving and overseeing the implementation of strategic objectives and overall business strategy for next three years	The Board provides leadership, in approving and overseeing the implementation of strategic objectives and overall business strategy of the Company. The Board also ensures that the necessary financial and human resources are in place for the Company to meet its objectives. Vision and Mission of Company provide the direction for developing Board-approved strategic objectives and corporate values, which have been effectively communicated across the organisation. The Board is committed to ensuring that the Company fulfills its responsibilities to shareholders and other stakeholders by ensuring their expectations are comprehended and fulfilled. The Company has established a strategic plan covering 2023/24, to 2025/26 which outlines direction of the Company for the period and it has been approved by the Board. The Strategic plan has been communicated to all Directors and Senior Management across the Company and adherence of milestones as per strategy is monitored by the Management.	Complied
b)	Approving and implementing Governance Framework	The Board approved Governance Framework is in place which is in line with the Company's size, nature of business activities, business strategy and regulatory requirements.	Complied
c)	Periodic assessment of the effectiveness of Governance Framework	The effectiveness of the Governance Framework is periodically assessed as per the laws and regulatory requirements	Complied
d)	Appointing the Chairperson and the CEO and define the roles and responsibilities	The Board has appointed the Chairperson and the CEO. Board approved roles and responsibilities are available for the Chairman and the CEO.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
1.3 Corporate Culture and Values			
a)	Ensuring that there is a sound corporate culture within the company which reinforce ethical, prudent and professional behavior	The Company has a sound corporate culture which encourages ethical, prudent and professional behavior of employees of the Company. The corporate culture is enforced by various policies, procedures and processes such as HR Policy, Code of Conduct, Procedure Manual on Prevention of Money Laundering and Countering the Financing of Terrorism, Whistleblower Policy, Stakeholder Communication Policy, Customer Complaints Handling Policy, Conflict of Interest Policy, etc. that are in place to strengthen the corporate culture which encourage ethical, prudent and professional conduct.	Complied
b)	Establishing the corporate culture and values, code of conduct and managing conflicts of interest	A Board approved Code of Conduct and conflict of interest policy is in place.	Complied
c)	Promoting sustainable finance	Environmental, Social and Governance (ESG) factors are integrated into the Company's overall strategy, decision-making processes, and risk management. Importantly Board ensures that the Company's actions contribute to sustainable growth and long-term value creation.	Complied
d)	Approving the policy of communication with all stakeholders	A Board approved Corporate Communication policy with all stakeholder including depositors, shareholders, borrowers and other creditors is in place.	Complied
1.4 Risk Appetite, Risk Management and Internal Controls			
A)	Establishing and reviewing the Risk Appetite Statement (RAS)	The Board is responsible for overseeing a strong risk management framework, defining the risk appetite and ensuring its alignment with the Company's business strategy, capital and financial plans. A Board approved RAS is in place and monitored through the Board Integrated Risk Management Committee (BIRMC).	Complied
B)	Implementation of systems and controls to identify, mitigate and manage risks	BIRMC reviews risks related to all major risks that the Company is exposed to and ensures that appropriate mitigation actions are taken to manage the risks. BIRMC submits a Recommendation Report and Summary Risk Report to the Board within 07 days of each meeting. Please refer the Risk Management report on page 108 for more details.	Complied
C)	Adopting and reviewing the adequacy and effectiveness of the internal control systems & Management Information Systems	The Board ensures that the management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Internal Audit provided independent assurance to the BAC on the effectiveness of the Internal Control Systems and MIS through review of Control Assessment and internal audit investigation reports submitted at the BAC meetings.	Complied
D)	Approving Business Continuity Plan and Disaster recovery plan	Board approved business continuity plan and disaster recovery plan is in place and is regularly reviewed by the Board.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
1.5 Board Commitment and Competency			
a)	Devoting sufficient time on matters relating to affairs of the Company	The Board of Directors devote sufficient time on dealing with the matters relating to affairs of the Company. The Board meets on monthly intervals and as necessary. Board Sub Committees meet as per the Board approved TOR of the respective Board sub committees or more frequently, as required.	Complied
b)	Qualifications, skills, knowledge, and experience of Board of Directors	Appointments to the Board are recommended by the Board Nomination Committee. The Directors possess necessary qualifications, adequate skills, knowledge and experience in various areas relating to business and finance, contributing to the performance of the Company. Please refer the profiles of the Board of Directors on pages 54 to 57.	Complied
c)	Training and development needs of the Board of Directors shall be reviewed by Board	The Board reviews the training and development needs through Board's annual performance evaluation	Complied
d)	Board shall adopt a scheme of self-assessment of the individual Directors, the Board as a whole, its Sub Committees and maintain a record of such assessments.	Annual self-assessments are performed at the end of each financial year which cover individual performance of each Director, performance of Board as a whole and of Board Sub Committees. Records of such assessments are maintained.	Complied
e)	Board shall resolve to obtain External independent professional advice to the Board to discharge duties to the Company.	A Board approved procedure is in place for Directors to obtain independent professional advice where necessary at Company's expenses to discharge their duties.	Complied
1.6 Oversight of Senior Management			
a)	Identifying and designating Senior Management	The staff that can significantly influence the Company's policies, direct activities, exercise control over business operations and risk management, are identified by the Board and designated as Senior Management of the Company in line with the regulations.	Complied
b)	Areas of authority and key responsibilities for the Senior Management	Accountability and responsibility are delegated to Senior Management officers through their respective Job Descriptions (JD) and Board approved policies and procedures.	Complied
c)	Qualifications, skills, experience and knowledge of Senior Management	The Company adopts a procedure in recruiting all Senior Management position as described in the HR Policy and succession plan. Qualifications, skills, knowledge and experience are stated in the respective JDs. Independent roles related recruitments are referred to the respective Sub-Committee for their inputs. The approval for relevant senior management is obtained from CBSL in line with applicable laws and regulations. All the Senior Management personnel has gained necessary qualifications, skill, experience and knowledge to perform their functions.	Complied
d)	Oversight of the affairs of the Company by Senior Management	Oversight over the affairs of the Company is exercised by the Chief Executive Officer along with the Senior Management.	Complied
e)	Ensuring the Company has a succession plan for Senior Management	A succession plan is available for Senior Management and Key positions within the Company.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
f)	Regular meetings with Senior Management to review policies and monitor the progress	Senior Management personnel make regular presentations to the Board and Board Sub-Committees on matters under their purview and the Board/Directors provide advice/guidance on same.	Complied
1.7 Adherence to the Existing Legal Framework			
a)	Ensuring that the Company does not act in a manner that is detrimental or prejudicial to the interests and obligations to stakeholders	Well-established systems and controls are in place for the Board to ensure that the Company carries out its activities to the best interest of and obligations to depositors, shareholders and other stakeholders. The Board affirms that the Company has not acted in a manner that is detrimental to the interest of and obligations to any stakeholder.	Complied
B)	Compliance with relevant laws, regulations, directions and ethical standards.	A fully fledged Compliance department has been established to ensure that the company carries out its activities in adherence to the relevant laws, regulations, Directions and ethical standards. The Compliance Division acts as the second line of defense in ensuring that the regulatory requirements are complied the operational units for compliance. Procedures are in place to obtain periodic assurance by the Board and the Board affirms that the Company adheres to relevant laws, regulations, Directions and ethical standards in its operations.	Complied
C)	Acting with due care and prudence, and with integrity and avoid potential civil and criminal liabilities that may arise from Board's failure to discharge the duties diligently	The Board of Directors act with due care, prudence and with integrity to operate the company for a constant growth.	Complied
2. GOVERNANCE FRAMEWORK			
2.1	Development of a Governance Framework in line with the Direction.	The Board has developed and implemented a comprehensive Governance Framework which is in line with the CBSL Direction.	Complied
3. COMPOSITION OF THE BOARD			
3.1	Ensuring the Board composition appropriate for the size, complexity and risk profile of the company	Appointments to the Board are recommended by the Bord Nomination Committee. The nominations to the Board are evaluated by the Board Nomination Committee with due reference to the size, complexity, current risk profile and the strategic direction of the Company. The Directors including Non-Executive Directors have gained necessary qualifications, adequate skills and knowledge, expertise and experience to bring an independent judgment and their detailed profiles are on pages 54 to 57.	Complied
3.2	Number of Directors on the Board shall not be less than 07 and not more than 13	As at 31st March 2023, the Board of Directors consists of eight (08) members which is within the requirement stipulated by the Direction. The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
3.3	Service Period of Non-Executive Directors other than CEO/Executive Director shall not exceed 09 years	The Service period of any of the Non-Executive Directors did not exceed 9 years and was within the requirement of this Direction	Complied
3.4	Service period of Non-Executive Directors who holds 10% direct or indirect holding of the Company	The service period of all Non-Executive Directors is below the 09 years and hence, no such requirement has been arisen during the year.	Complied
3.5 Executive Directors			
A)	Only an employee of the Company shall be appointed, elected or nominated as an Executive Director, provided that number of Executive Director shall not exceed 1/3 of the number of directors of the Board	One Director has been appointed as an Executive Director and he is an employee of the Company. The Board consists of 08 Directors.	Complied
B)	Shareholders who directly or indirectly hold more than 10% of the voting rights of Company, shall not be appointed as the Executive Director or as senior management	No Executive Director or Senior Management hold any voting rights of the Company.	Complied
C)	One of the Executive Directors shall be appointed as MD/CEO	The Executive Director is the Chief Executive Officer of the Company.	Complied
D)	Availability of Functional reporting lines of Executive Directors	The Chief Executive Officer is the only Executive Director and he reports to the Board of Directors.	Complied
E)	Executive Directors are required to report to the Board of Directors	Executive Director reports to the Board of Directors	Complied
F)	Executive Directors shall refrain from holding Executive Directorships and Senior Management positions of another entity.	The Executive Director does not hold any Executive Directorships or Senior Management positions in any other entity.	Complied
3.6 Non-Executive Directors			
A)	Non-Executive Directors shall have skills, experience and credible track records	All appointments to the Board are evaluated by the Board Nomination Committee. Directors, including Non-Executive Directors are eminent persons who possess credible track records and have the necessary knowledge, skills, expertise and experience to bring an independent judgment on the issues of strategy, performance, resources and standards of business conducts. Please refer detailed profiles of the Board on pages 54 to 57.	Complied
B)	A Non-Executive Director cannot be appointed as the CEO/ Executive Director	The Executive Director functions as the CEO of the Company. No Non-Executive Director has been appointed or functioned as CEO or Executive Director of the Company.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
3.7 Independent Directors			
a)	Minimum number of Independent Directors of Board shall be at least 03 or 1/3 of the total numbers of directors, whichever is higher	Five (05) out of Eight (08) Directors are Independent Directors which is within the requirement of this direction	Complied
b)	Independent Directors shall have sufficient qualifications and experience	The Independent Non-Executive Directors of the Company has a diverse range of skills & experience which enables them to provide valuable insights, independent judgment, and constructively guide the executive management. The Non-Executive Directors' extensive professional backgrounds and experience in different sectors strengthen the Board's ability to navigate complex challenges, anticipate emerging trends, and drive the Company's long-term success while upholding the highest standards of Corporate Governance. The Board Members' detailed profiles are on pages 54 to 57	Complied
c)	As outlined in the Direction, criteria of Independent of Directors shall be considered	Five (05) out of seven (07) Non-Executive Directors are independent The independence of the Directors is evaluated annually based on the Directors' self-declarations. The criteria defined in this direction are taken into consideration when evaluating the independence of each Non-Executive Director.	Complied
d)	Determining any other factors affecting to the independence of the Directors	The Nomination Committee and the Board assess whether there are any circumstances or relationships, beyond those specified in the direction, that could potentially influence the independence of a director. However, no such circumstances were determined during the year	Complied
E)	Immediate disclosure of circumstances that affect the independence of the Directors	A process is in place to disclose immediately to the Board on any change in circumstance that may affect the independence of an Independent Non-Executive Director. No such changes were reported to the Board during the year	Complied
3.8	Alternate Directors	No alternate directors have been appointed	

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
3.9 Cooling off Periods			
A)	Cooling off period for Directors - There shall be a cooling off period of 06 months prior to appointment of any person as a director who was previously employed as a CEO/Director of another LFC. If any variation, LFC shall have a prior approval of Monetary Board	Board Nomination Committee monitors the requirement of cooling off period as per this direction. Mr. Rajendra Theagarajah was appointed as an Independent Non-Executive Director and Chairman on 28th April 2022 and he was not employed as a Director/ CEO of another LFC prior to his appointment.	Complied
B)	Cooling off period for Independent Directors - A director who fulfills the criteria to become an independent director shall only be considered for such appointment after a cooling off period of 01 year if such director has been previously considered as non independent under the provision of this Direction.	Board Nomination Committee and the Board monitor the requirement of cooling off period as per this direction.	Complied
3.10	Common Directorships - Appointment of a Director or a KRP of the Company as a Director of another LFC is prohibited except in the circumstances given	No Director or KRP of the Company has been appointed as a Director of another LFC.	Complied
3.11	Limit on holding Directorships by a Director of the Company	No Director holds Directorships or any equivalent positions in more than 20 companies/ societies, bodies including subsidiaries of the Company	Complied
4. ASSESSMENT OF FIT AND PROPER CRITERIA			
4.1	No person shall be nominated, elected or appointed as a director of LFC or continue as a director unless approved as a KRP as per the Direction on Assessment of fitness and propriety	Approval for all Directors have been obtained in terms of the Direction on Assessment of Fitness and Propriety of Directors and are also assessed annually in terms of the requirements of the Finance Business Act Direction No. 06 of 2021, Assessment of Fitness and Propriety of Key Responsible Persons.	Complied
4.2	Person over the age of 70 years shall not serve as a director of LFC	There are no Directors over the age of 70 years on the Board.	Complied
4.3	A director who is already holding office on 01.07.2022 and attains the age of 70 on or before 31.03.2025 is permitted to continue in office as a director up to the 75 years of age subject to following criteria stipulated in Direction	No Director has attained the age of 70 years during the year.	NA

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
5. APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT			
5.1	The appointments, resignations or removals of Directors and Senior Management shall be made in accordance with Finance Business Act Direction on Fitness and Propriety of Key Responsible Persons	All the appointments and resignations to the Board and Senior Management are made in accordance with the applicable regulations on Fitness and Propriety of Key Responsible Persons	Complied
6. THE CHAIRPERSON AND THE CHIEF EXECUTIVE OFFICER			
6.1	Clear division of responsibilities between the Chairperson and CEO are set out in writing	The positions of Chairperson of the Board and the Chief Executive Officer (CEO) are held by different individuals. Board approved Governance Framework provides a clear division of responsibilities between the Chairperson and the CEO and each has been issued a job description in line with the duties assigned to them.	Complied
6.2	Chairperson shall be an independent director subject to the requirement to stipulated in the Direction	The Chairman of the Board, Mr. Rajendra Theagarajah is an Independent Director.	Complied
6.3	Appointment of a Senior Director when the chairperson is not independent	The Chairman is an Independent Director and no such requirement has arisen during the year.	Complied
6.4	Responsibilities of the Chairperson	The Chairman is responsible to provide leadership, guidance, and oversight to the Board, ensuring that it operates effectively and fulfilling the responsibilities assigned to Board as outlined in this Direction. Board approved Governance Framework includes the Responsibilities of the Chairman and the TOR for the Chairman also covers his duties and responsibilities.	Complied
6.5	Responsibilities of the CEO	In terms of duties and responsibilities of the CEO, he is the apex executive who is in charge of the day-to-day management of the Company with the assistance of members of the Senior Management and is accountable to the Board on day-to-day operations of the Company and to recommend the Company's strategic decisions, ensure appropriate procedure are in place to assess supervisory concerns and non-compliance with regulatory requirements. Board approved Corporate Governance Framework includes the Responsibilities of the CEO and the job description issued to him also covers the duties and responsibilities.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
7. MEETINGS OF THE BOARD			
7.1	Regular Board meetings - Board shall meet at least 12 times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers should be avoided as much as possible.	The Board meets regularly at monthly intervals and as and when required. The Board met on thirteen (13) occasions during the year 2022/23. All Board decisions are made subsequent to discussion at meetings, as much as possible. Any papers approved by circulation are tabled at regular Board Meetings.	Complied
7.2	Directors to include matters and proposals in the agenda	The Board approved process is in place which enable equal opportunities for all the Directors to include matters and proposals in the agenda for regular Board meetings. Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals to the agenda.	Complied
7.3	A notice of at least 03 days shall be given for a regular Board meetings	Board meeting dates were agreed by the Board members in advance for the year. Agenda and all Board papers are uploaded for the reference of Directors to access seven (7) days prior to the Board meetings.	Complied
7.4	Directors to devote sufficient time to prepare and attend to Board meetings	All the Directors actively contribute at the Board meetings by providing views and suggestions in the best interest of the Company.	Complied
7.5	Board meetings should not be duly constituted, although number of directors required to constitute quorum at such meeting is present unless at least 1/4 of directors that constitute quorum at meeting are independent directors	All Board meetings held during the financial year were duly constituted with one half (1/2) of the number of Directors present and one fourth (1/4) of the number of Directors constituting the quorum being Independent Directors.	Complied
7.6	Chairperson shall hold meetings with Non Executive Directors only, without the executive directors being present as necessary and at least twice a year	A necessary number of meetings were held by the Chairperson without the presence of the Executive Directors to facilitate effective communication, engagement, and collaboration within the Board. This process supports the smooth functioning of the Board and enhance the overall Governance and decision-making processes.	Complied
7.7	Directors shall abstain from voting relating to matters of relating to him	Board approved conflict of interest Policy is in place where a Director is required to abstain from voting in relation to a matter in which such Director or his/her relatives or a concern in which he has substantial interest.	Complied
7.8	A Director who has not attended at least 2/3 of Board meeting in past 12 months immediately preceding or has not attended 03 consecutive meetings held, shall cease to be a director. Participation to Board through an alternate director shall be acceptable as attendance subject to applicable directions for alternate directors	All Directors have attended at least two-third of the meetings held during the year and no Director has been absent from three consecutive regular Board meetings during the financial year 2022/23. Please refer page 94 for details of individual Directors' attendance at Board meetings.	Complied
7.9	Participation of a director through electronic means in acceptable for Ad Hoc meetings	As far as possible, Directors participated in Board meetings in person.	Complied

CORPORATE GOVERNANCE

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
8. COMPANY SECRETARY			
A)	Appointment of a Company Secretary shall be completed as per the transitional provision stated in the Direction.	Janashakthi Corporate Services Limited functions as the Company Secretary of the Company.	Complied
b)	Qualifications of Company Secretary	In house Company Secretary will be appointed subject to transitional provisions outlined in Section 19.2 in this Direction	Complied
8.2	Access to advice and services of the Company Secretary	The Board-approved Governance Framework enables all Directors to access the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied
8.3	Delegating responsibilities to the Company Secretary	Preparation of the agenda of the meetings of Board and its sub-committees (except meeting agendas of BIRMC and BAC) are delegated to the Company Secretary and is approved by the Chairman.	Complied
8.4	Company Secretary should maintain Board minutes with all submission to Board voice/video recording for 06 years	The Company Secretary maintains meeting minutes and circulates them to all Board members which shall be opened for inspection at any reasonable time to any Director. Additionally, the Directors have access to past Board papers and minutes through a web based format. The Company Secretary maintains minutes with all submissions.	Complied
8.5	Maintenance of Board minutes in an orderly manner	The Company Secretary maintains meeting minutes in an orderly manner and follows the proper procedures laid down in the Articles of Association of the Company.	Complied
8.6	Recording minutes of Board meetings with sufficient details	Company Secretary maintain Board minutes with sufficient details as outlined in this Direction	Complied
8.7	Minutes shall be open for inspection of Directors	As per the Board approved Governance Framework, Board minutes are open for inspection of Directors at any reasonable time.	Complied
9. DELEGATION OF FUNCTIONS BY THE BOARD			
9.1	Board shall review and approve delegation of authority and give clear direction to KPMs	Board approved Delegation of Authority is in place to give clear directions to the Senior Management.	Complied
9.2	Board should ensure to have stipulated functions of such committees in the absence of Board Sub Committees	All the required Sub Committees are in place with Board approved TOR as required by the Direction.	Complied
9.3	Board may establish appropriate senior management level sub committees	The Board has established management level committees such as Management Committee, ALCO, Management Credit Committee and Procurement Committee to assist the Board in effective decision making.	Complied
9.4	Board shall not delegate any matters to a board committee, CEO , executive directors or senior managers, to an extent that such delegation would reduce the ability of Board as a whole to discharge its functions	Board approved Governance Framework includes key areas assigned for the Board and they cannot be delegated to Board Sub Committees.	Complied
9.5	Board shall review the delegation process on a periodic basis	Delegation arrangements are reviewed periodically.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
10. BOARD SUB-COMMITTEES			
10.1	Board Sub-Committees on FC with asset base of less than Rs. 20 Bn		
A)	Establishment of Board Sub Committees - by 31.07.2024	The Following Board Sub-Committees have already been established by the Board in line with the best practices on good governance and each such committee is required to report to the Board 1. Details of the Board Audit Committees is given on page 126 2. Details of the Board Integrated Risk management committee is given on page 129 3. Details of the Board Nomination committee is given on page 133 4. Details of the Board Human resource and Remuneration committee is given on page 131 5. Details of the Board Related party transactions review committee is given on page 128 Meetings are held as defined in the respective TOR of each Sub-Committee. Recommendations of these committees are addressed directly to the Board and minutes of meetings are submitted and discussed at the Board meetings.	Complied
B)	Each Sub Committee shall have Board approved Terms of reference	Board Approved TOR is available for each Board Sub Committee.	Complied
C)	Report on performance of duties and functions of Sub Committees shall be presented by Board at the AGM	The Company has presented reports on the performance, duties and functions of each Committee in the Annual report for the financial year 2022/23 Please refer respective Board Sub-Committee reports for more details on page 126 to 133	Complied
D)	Appointment of a Secretary to Sub Committees	Company Secretary functions as the Secretary for the Board Sub Committees except the BIRMC.	Complied
E)	Each BOD Sub committee shall consist of at least 03 members of Board who have skills , knowledge and experience relevant to duties of the Committee.	Each Committee comprises at least three (03) Board members who possess skills, knowledge and experience required for the responsibilities of the Board Sub Committees. Composition of the Board Sub Committees are disclosed in the page 126 to 133 of the annual report.	Complied
F)	BOD may consider the occasional rotation of members and Chairperson of Board Sub-Committees	Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
10.2 Board Audit Committee			
A)	As per the of Section 8.2 (a) of Direction No. 03 of 2011, The Chairman of the Board Audit Committee shall be Non-Executive Director who possesses qualifications and experience in accountancy and/ or audit	Chairperson of the Committee is a Non-Executive Director with qualifications and ample expertise in accounting.	Complied
B)	Board members appointed to the BAC shall be Non Executive Directors and majority shall be independent	Two (02) out of three (03) members of the Committee are Independent Non-Executive Directors	Complied
C)	Secretary of the BAC shall preferably be the Chief Internal Auditor or the Company Secretary	The Company Secretary has been appointed as the Secretary to the Committee.	Complied
D)	**External Audit Function**		
i)	BAC shall make recommendation on matters regarding appointment of external auditors in compliance with relevant statutes, service period, audit fee and resignation or dismissal of auditors.	M/S BDO Partners, Chartered Accountants acts as External Auditor for audit services. The relevant requirements are contained in the TOR of the Board Audit Committee and overseen by the Committee.	Complied
ii)	Engagement of an audit partner shall not exceed 5 years.	This aspect is monitored by the BAC. Engagement period of current audit partner does not exceed the stipulated period.	Complied
iii)	The External Audit Partner shall not be a shareholder, Director, Senior Management or employee of any LFC.	The Audit Partner is not a Director or employee and does not hold any Senior Management position of the Company. A declaration has been obtained confirming that the audit partner does not hold any shares of the Company.	Complied
Iv)	BAC shall review the independence and objectivity of the External Auditor and effectiveness of the audit process.	In order to safeguard the objectivity and independence of the External Auditor, the Board Audit Committee reviewed the nature and scope taking in to account the regulations and guidelines.	Complied
v)	BAC shall develop and implement a policy with approval of Board on engagement of an external auditor to provide permitted non-audit services (NAS)	Board of Directors developed and implemented a policy for engagement of auditors to provide non-audit services with the approval of BAC in order to ensure that the non-audit services do not impair the independence and objectivity of the External Auditor. The policy addresses the skills and experience of the auditor, requirements to ensure independence, objectivity and fee for the non-audit services.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
vi)	BAC shall determine the nature and scope of the audit	The External Auditors make a presentation at the BAC including following; 1. Details of the proposed audit plan and scope 2. Assessment of company's compliance with regulatory requirements 3. Internal controls over financial reporting 4. Preparation of financial statements in conformity with relevant accounting principles Members of the BAC shall obtain clarifications in respect of the contents of the presentation.	Complied
vii)	Review of financial information of the company by the Board Audit committee	Annual and interim financial statements are submitted to the BAC prior to the submission to CSE / Stakeholders. Following are focused by BAC before being recommended for Board approval 1. A detailed discussion focused on major judgment areas 2. Changes in accounting policies, significant audit judgment in the financial statements 3. Going concern assumptions and compliance with accounting standards and other legal requirements. 4. Contingent liabilities requiring disclosure.	Complied
viii)	Discussion of issues, problems and reservations arising from the interim and final audits	BAC had a meeting with the External Auditors without the presence of the Executive Directors and Senior Management during the financial year 2022/23	Complied
ix)	BAC shall review of external Auditor's management letter and management response	The BAC has reviewed the management letter for year 2021/22 and Senior management responses there to and subsequently reported to the Board.	Complied
E)	BAC shall review the effectiveness of the system of internal controls	Internal Audit Department reviews the compliance and effectiveness of the Internal control system of the Company and reports are submitted to BAC periodically.	Complied
F)	BAC to ensure that senior management takes necessary corrective actions on findings made on internal auditor by the auditors and supervisory bodies	BAC follow up that senior management is taking necessary actions in a timely manner to address Internal control weaknesses, non-compliance with policies, laws and regulations, and other discrepancies identified by the External Auditor, supervisory bodies and the Internal Audit function.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
G)	**Internal Audit function:**		
i)	Establishment of an independent Internal Audit function	An Internal Audit Department (IAD) is in place to provide independent assurance to the BAC on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and internal controls.	Complied
ii)	Internal Audit function shall have a clear mandate, independence and reporting line	The Chief Internal Auditor reports directly to the BAC. Internal Audit function carries out its functions within the Company in accordance with the Internal Audit Charter and the Internal Audit Plan.	Complied
iii)	Review of internal audit function shall be carried out by BAC	The BAC has reviewed the information provided in the risk- based audit plan and concluded that scope, functions, skills and resources of the Internal Audit Department (IAD) are sufficient to carry out its functions. The Committee ensured that the internal audit function is independent of the activities it audits and provided necessary authority to perform it duties effectively and objectively. The BAC has reviewed and approved the Internal Audit Plan for the Financial Year. The Committee meets at regular intervals to effectively discharge it duties. The Committee reviewed and discussed the Internal Audit programs and reports tabled by the Chief Internal Auditor and ensured that appropriate action is taken by the management on the Internal control deficiencies. Relevant Senior Management personnel are invited for such discussions. The Committee follows up through the IAD until the matters are being remediated as per the action plan. BAC has evaluated the performance of Chief Internal Auditor The BAC ensures the independence of the Internal Audit function from the activities it audits and ensures that audits are conducted with impartiality, proficiency, and due professional care and confidentiality was maintained throughout the audit process. The Internal Audit Department staff reports directly to the Chief Internal Auditor, who in turn reports directly to the BAC. All these aspects are clearly covered in the Internal Audit Procedure manual to establish uniformity in all engagements.	Complied
		Periodic reviews are conducted by the IAD on regulatory reporting to regulatory bodies such as CBSL, FIU, IRD. Annual Audit plan included the reviewing of Compliance function during the year. Whenever a need arises, The BAC and Senior Management assigns special internal investigations on certain matters to the Internal Audit Department and reviews major findings with the management responses thereto and ensures that the recommendations are implemented.	Complied
h)	Review of statutory examination reports of CBSL	The progress of implementing the time-bound action plan (TBAP) on supervisory concerns report issued by CBSL on-site examination report has been reviewed at BAC meetings and ensured whether corrective actions are taken in a timely and effective manner	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
i)	**Meetings of the Committee**		
i)	Meetings of the Board Audit Committee shall be held at least quarterly	The BAC meeting dates were agreed to by Committee members in advance for the calendar year. The Committee meets quarterly and additional meeting are scheduled as required per quarter and the agenda, minutes and all other Committee papers are uploaded through a web based platform for review of Committee members prior to the BAC meetings. The minutes of the meetings are recorded and maintained by the Company Secretary. The BAC has met seven (07) times during the financial year 2022/23.	Complied
ii)	Other Board members, senior management or any other employee may attend BAC meeting upon the invitation of the BAC	Non-Executive Directors, CEO and other Senior Management personnel attend the BAC meeting by invitation.	Complied
iii)	BAC shall meet at least twice a year with external auditors without any other Directors/senior management/ employee being present	A necessary number of meetings was held with the External Auditors during the year without the presence of any other Directors, Senior Management or employees.	Complied
10.3 Board Integrated Risk Management Committee (BIRMC)			
A)	BIRMC shall be chaired by an Independent Director. Board members appointed to BIRMC shall be Non Executive Directors with experience and knowledge in banking, finance , Risk Management issues and practices. CEO and Chief Risk Officer may attend the meetings upon invitation. BIRMC shall work with senior management closely and make decisions on behalf of Board within the authority and responsibilities assigned to BIRMC	The Chairman of the Committee is an Independent Non-Executive director. The Committee consists of three (03) Non-Executive Directors and they have sufficient knowledge and experience in banking, finance, risk management issue and practices. The Committee members including the Chairman are Independent Non-Executive Directors. The CEO, the Head of Risk & Compliance and relevant Senior Management personnel attended the meetings by invitation. The Committee makes decisions on behalf of the Board within the Board approved Terms of Reference of the Committee.	Complied
B)	Secretary of the Board Integrated Risk Management Committee shall be the Chief Risk Officer	Head of Risk & Compliance functions as the Secretary to the Committee.	Complied
C)	BIRMC shall assess the Risk Assessment Process and make recommendation on risk strategies and risk appetite to the Board	The Committee has Board approved policy and framework on credit risk management and Enterprise Risk Management which provide a guidance for management and assessment of risk. Accordingly, monthly and quarterly reports on quantitative and qualitative risks are presented to BIRMC including appropriate risk indicators, management information and make recommendations on strategies. Subsequently, recommendation of BIRMC are submitted to the Board for its recommendations. Please refer the BIRMC report on page 129 for more details.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
D)	Development of a Risk Appetite Statement	Board approved RAS is in place which provide a guidance to identify the risk tolerance limits of the Company. RAS includes quantitative measures in relation to earnings, capital, liquidity etc. Head of Risk & Compliance has been appointed to a Senior Management level to provide assurance to the Board through BIRMC on compliance related matters. The risks relating to the status of compliance and money laundering risks are also considered and discussed at the meetings.	Complied
E)	BIRMC shall assess review of Risk policies and Risk Appetite statement	Risk policies and RAS will be reviewed by the BIRMC on an annual basis as per the corporate compliance plan.	Complied
F)	BIRMC shall review the adequacy and effectiveness of Senior Management level Committees	The Committee reviews the adequacy and effectiveness of Senior Management level Committees to address specific risks and manage those risks within quantitative and qualitative risk limits as specified by the Committee	Complied
G)	BIRMC shall assess of all aspects of risk management including business continuity and disaster recovery plans	Business Continuity Plan and disaster recovery plan are reviewed by the BIRMC as per the corporate compliance plan.	Complied
H)	Assessment of performance of Compliance Officer and Chief Risk Officer	The Committee assesses the performance of the Head of Risk & Compliance	Complied
I)	Compliance function		
i)	BIRMC shall establish an independent compliance function	An Independent Compliance function is in place to assess the Compliance with laws, regulations, rules, directions, guidelines and Board approved policies.	Complied
ii)	Appointment of a dedicated Compliance Officer (LFCs with assets base more than Rs. 20 Bn)	Not applicable	N/A
iii)	Appointment of a dedicated Compliance Officer (LFCs with assets base less than Rs. 20 Bn)	A Senior Management Officer with appropriate seniority has been designated as the Compliance Officer of the company. To avoid conflict of interest, Head of Risk & Compliance reports directly to the BIRMC and does not engage in any operational activities, or income-generating functions. The Board approved Compliance Management Policy is in place to govern the Compliance function of the Company.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
iv)	BIRMC shall ensure that responsibilities of the Compliance Officer broadly encompass the responsibilities stipulated in Direction	The Job Description of the Compliance Officer has been reviewed by the BIRMC in Compliance with in this direction and best practices. The Compliance Officer's JD and Compliance Management Policy cover the following; • Minimising the risk of non-compliance by developing and implementing policies and procedures. • Establishing Compliance culture through proper communication • Regular reviews on regulatory rules and internal Compliance policies • Implementation of new legal and regulatory developments applicable to the Company • Early involvement in ensuring conformity with regulatory, internal Compliance and ethical standard requirements when designing new products or systems. • Addressing serious or persistent compliance issues within acceptable timeline, in concurrence with the management • Maintaining good working relationship with the regulators.	Complied
j)	**Risk management function**		
i)	Establishment of an independent risk management function	The BIRMC has established an independent risk management function for managing the risk of the Company.	Complied
ii)	For LFC with assets base of more than Rs. 20 Bn shall have a separate Risk Management department and dedicated Chief Risk Officer	Not applicable	N/A
iii)	Implementing the risk management policies and processes including RAS	Head of Risk & Compliance of the Company has taken measures to implement the Risk management policies and monitor the Risk Appetite based on the Board approved RAS.	Complied
iv)	Developing and implementing a Board approved integrated risk management framework shall be the primary responsibility of CRO	Board approved policies exist on credit risk management and enterprise risk management which provide a framework for management and assessment of risks. Accordingly, regular reports on quantitative as well as qualitative risks are being reviewed by the Committee in discharging its responsibilities as per the terms of reference. The risk management framework covers: potential risks and frauds, possible sources of such risks and frauds, process of identifying, assessing, monitoring and reporting risks, controls and mitigating factors and accountabilities. The BIRMC reviews and updates the framework at least on an annual basis.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
V)	CRO participates in decision making related to capital and liquidity planning and new product/ service development	Head of Risk & Compliance participates for Management Committee meetings where developing and implementing strategy, is planned relating to capital and liquidity. Importantly, any new products and services are referred for review by Head of Risk & Compliance in order to identify and mitigate the risks.	Complied
Vi)	CRO shall maintain an updated risk register and it shall be submitted to BIRMC on quarterly basis	The updated risk register/summary is submitted to the BIRMC on quarterly basis.	Complied
Vii)	Submission or risk assessment report by BIRMC to the Board meeting	Board was informed by BIRMC of their risk assessment of the Company by forwarding the risk report and recommendation made by BIRMC for upcoming Board meeting seeking Board's views.	Complied
10.4 Board Nomination Committee (BNC)			
A)	BNC shall be constituted with Non-Executive Directors and preferably majority may be independent directors. An independent director shall chair the committee. CEO may be present at meeting by invitation of committee	The Committee comprised three (03) Non-Executive Directors out of whom majority are independent. An Independent Non-Executive Director has been appointed as the Chairman of the BNC.	Complied
B)	Secretary of the Board Nomination Committee	Company Secretary functions as the Secretary to the BNC	Complied
C)	BNC shall implement a formal and transparent procedure to select/ appoint new Directors and Senior Management	A formal and transparent procedure to select/appoint new Directors and Senior Management is in place. The Senior Management are appointed with the recommendation of Chief Executive Officer except Chief Internal Auditor and Head of Risk & Compliance.	Complied
D)	Fitness and propriety of Directors and Senior Management	Fitness and propriety of Board of Directors and Senior Management are evaluated at the time of appointment and on an ongoing basis as required under the Direction.	Complied
E)	The selection process of Directors shall include reviewing whether proposed directors has knowledge, skills, experience, good integrity and reputation, sufficient time to fully carry on their responsibilities	The criteria set out in this direction are considered at the selection and recommendation process of Directors by the BNC and the Board	Complied
F)	Board composition shall not be dominated by any individual or a small group of individuals	The Committee ensured that the composition of the Board is not dominated by any individual or a group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
G)	Criteria on qualification, experience and key attributes required to be appointed to the post of CEO and Senior Management	Qualifications, experience and key attributes required for eligibility for the appointment to the post of CEO and Senior Management positions has been developed. The Committee ensured the availability of adequate qualifications, experience, skills and eligibility to discharge duties as CEO, Directors and Senior Management personnel	Complied
H)	Disclosures to shareholder upon the appointment of a new Director	Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange (CSE). Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka and notification is sent to CSE.	Complied
I)	BNC shall consider the re-election of current Directors, taking into account the combined knowledge, performance towards strategic demand faced by the LFC	BNC makes recommendations to the Board considering that the combined knowledge of the Board existed, performance towards strategic demand faced by the Company and contribution made by each Director towards discharge of Board's overall responsibilities	Complied
J)	BNC shall consider additional/ new expertise and the succession arrangements for retiring Directors and Senior Management	BNC considers the succession arrangements for retiring Directors and Senior Management	Complied
K)	Members of nomination committee shall not participate in decision making relating to own appointment/reappointment	The members of the BNC does not participate in decision making relating to own appointments or reappointments. Further, Chairman of the Board abstains from the meeting when matters related to his successor is discussed.	Complied
10.5 Board Human Resources and Remuneration Committee:			
A)	BHRRC shall be chaired by Non Executive Directors and majority of members shall be Non-Executive Directors	All four (04) members of the Committee are Non-Executive Directors of which three (03) are Independent Directors. The Committee is chaired by an Independent Non-Executive Director.	Complied
B)	Secretary of the BHRRC may preferably be the company secretaries	The Company Secretary functions as the Secretary to the Committee.	Complied
C)	BHRRC shall determine the remuneration policy for Directors and Senior Management	Salaries and allowances of Executive Directors, Senior Management and Non-Executive Directors are decided by the BHRRC. Please refer BHRRC Report on page 131 for more details on the remuneration policy of the Company	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
D)	There shall be a formal and transparent procedure in developing the remuneration policy.	The policy was recommended by the Human resource and remuneration committee and approved by the Board of Directors. Please refer Board Human Resources and Remuneration Committee Report on page 131 for more details	Complied
E)	BHRRC shall recommend the remuneration policy for employees of the Company	The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries, allowances and other financial incentives for employees of the Company.	Complied
F)	Remuneration structure to be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company	The remuneration structure is in line with the business strategy, objectives, values. Long-term interests and cost structure of the Company and it also incorporated measures to avoid conflict of interest.	Complied
G)	BHRRC shall review of performance of Senior Management	The performance of the Senior Management (excluding CIA and Head of Risk & Compliance) against the set targets and goals will be reviewed by the BHRRC. Basis for revising remuneration and other performance-based benefits for the Senior Management will be done as per the annual evaluation process.	Complied
H)	Senior Management abstain from attending meetings when matters related to them are being discussed	Respective Senior Management Personnel shall abstain from attending meetings, when matters related to them are discussed. BHRRC reviewed and ensured the Compliance of such requirement.	Complied
11. INTERNAL CONTROLS			
11.1	LFC shall adopt a well-established internal control system including organisation structure, segregation of duties, clear management reporting lines & adequate operating procedures to mitigate operational risks	Company has a well established internal control system which includes organisation structure and segregation of duties, clear reporting lines for management and operational procedures in order to mitigate the operational risks.	Complied
11.2	Expected outcomes of an internal control system	The Board has established an internal control system which ensured the promoting effective and efficient operation, providing reliable financial information, safeguarding the Company's assets, minimising the operational risks, ensuring effective risk management system and compliance with laws, regulations, directions and internal procedures.	Complied
11.3	Responsibilities of employees on internal control	All employees were made accountable and responsible for internal controls as part of their routine functions through the various policies and procedures of the Company. Adherence to the internal controls are reviewed by the IAD.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
12. RELATED PARTY TRANSACTIONS			
12.1	Board shall establish a policy and procedures for Related Party Transactions	A Board approved procedure for Related Party Transactions is available for monitoring the related party transactions.	Complied
A)	LFC shall establish a RPT Review Committee and the chairperson shall be an independent director and members shall consist of Non Executive Directors	The Committee comprised of three (03) Non-Executive Directors all of whom are Independent Directors. The Committee is chaired by an Independent Non-Executive Director	Complied
B)	All related party transactions shall be prior reviewed and recommended by RPTRC	The Board approved policy is in place for govern the Related Party Transactions. All RPTs are reviewed and recommended by RPTRC.	Complied
C)	Types of related party transactions	Board approved RPT Procedure provides a guidance for the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest.	Complied
12.2	Avoiding conflicts of interest from List of identified related parties	The Board appointed RPTRC ensures that the transactions with RPs are in accordance with best practices. The Procedure Manual for Related Party Transactions is in place which describes the related parties, types of related party transactions and disclosure and reporting requirements. Importantly, no Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party, provided however he or she may participate in discussion to express, propose and providing information concerning to RPTRC. No favourable transaction has been entered in to with RPs during the period in the ordinary course of business (Recurrent transactions) and they are disclosed in the Financial Statements on 'Related Party Disclosures' under Note 38 on page 193 in Financial Statements The RPTRC has identified a list of related parties and periodic reviews are conducted as and when need arises. A system for monitoring and reporting of data pertaining to such transactions is being developed with the implementation of the new core system.	Complied
12.3	Avoiding more favorable treatments at the time of engaging in business transactions with related parties	The Board-approved Related Party Transactions Review Procedure contains guidelines to ensure compliance with regulatory requirements and the RPTRC ensures that all the transactions with RPs are conducted on arm's length basis. RPTRC reviews all related party transactions and ensured that they are not entered into on more favorable terms than those offered to others, and where applicable relevant approvals of the RPTRC/Board are obtained	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
13. GROUP GOVERNANCE			
13.1	Responsibilities of the FC as a Holding Company	Orient Finance PLC does not have any subsidiary/associate companies and hence this section is not applicable	NA
14. CORPORATE CULTURE			
14.1	Code of Conduct	Board approved Code of Conduct and Conflict of Interest Policies are in place issuing guidelines on appropriate conduct on confidentiality, conflict of interest, integrity of reporting, protection and proper use of Company assets and fair treatment of customers. These policies are monitored by the Human Resources Division.	Complied
14.2	Records of breaches of code of conduct	If a breach of the Code of Conduct is reported, the Human Resources Division maintains records on such breaches of Code of Conduct.	Complied
14.3	Whistleblower Policy	The Company has a Board-approved Whistleblower Policy whereby employees of the Company are entitled to raise concerns about any misconduct/misappropriation or other such irregularity observed in the Company. With the recommendation of BAC, Whistleblower Policy has been approved by the Board and ensures that a proper process is in place in line for a fair and independent investigation on such matters.	Complied
15. CONFLICTS OF INTEREST			
15.1			
A)	Avoiding conflicts of interest by Directors	A Board approved conflict of interest policy is in place that covers the stipulated requirements. The Company Secretaries obtained disclosure of interest from Directors at every Board meeting and conflict of interest (if any). Directors abstain from voting in such a situation and they are not counted in the quorum.	Complied
B)	Conflict of Interest Policy	A Board approved Conflict of Interest Policy is in place covering all aspects of this direction and best practices.	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
16. DISCLOSURES			
16.1	Preparation of annual and periodic financial statements and publishing them in newspapers in Sinhala, Tamil and English	Annual audited financial statements and interim financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Such statements are published in the newspapers in Sinhala, Tamil and English as per the stipulated guidelines.	Complied
i)	Financial statements	Compliance with applicable accounting standards and regulatory requirements has been reported under the Annual Report of the Board of Directors on the Affairs of the Company on page 121 and Statement of Directors' Responsibility for Financial Reporting on page 124.	Complied
ii)	Chairperson, CEO and Board related disclosures	Profiles and details of the Board of Directors are given on pages 54 to 57 Attendance of Board Meetings and Sub-Committee meetings are given on page 94.	Complied
iii)	Appraisal of Board performance	Appraisal of Board performance has been carried out as per the requirements of the Direction.	Complied
iv)	Remuneration	**REMUNERATION POLICY** A statement on remuneration policy has been disclosed in Board Human Resource and Remuneration Committee Report given on page 131 of the Annual report.	Complied
V)	**Related Party Transaction**		
	Nature of any relationship between Chairman and Executive Director/CEO and the relationships among the members of the Board	There is no relationship between the Chairman and the CEO and among the other members of the Board except a mutually cordial and professional relationship. Refer the Annual report of the Board of Directors on the affairs of the Company on page 121	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023			Status of Compliance
	Total net accommodation granted to Related Parties				
	Category of related party transactions	2022/23			
		Net Accommodation granted Rs.'000	Net Accommodation outstanding as at 31st March 2023 Rs.'000	Percentage of the core capital Rs.'000	
	1. Directors and Senior Management	-	-	-	
	2. Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company	-	-	-	
	3. Subsidiaries, Associates, Affiliates, Holding Company, Ultimate parent Company and any other party that Company exert control over or vice versa	-	-	-	
	4. Directors and Senior Management of legal persons above 2 &3	-	-	-	
	5. Relatives of a natural person described in 1, 2 and 4	20,000.00	20,487.44	0.64%	
	6. Any concern in which any of the Director, Senior Management or a relative of any of the company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest	40,000.00	17,163.07	1.27%	
	Aggregate value of transactions with Senior Management				
	For the year ended			2022/23 Rs. '000	
	Accommodations granted			-	
	Deposits/investments made			3,500	

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
Vi)	Board appointed Committees	Details of Chairperson, members and the attendance of the below mentioned SubCommittees are stated in respective Sub-Committee reports as follows. Board Audit Committee Report – page 126 Board Integrated Risk Management Committee Report – page 129 Board Nomination Committee Report – page 133 Board Human Resources and Remuneration Committee Report – page 131 Board Related Party Transaction Review Committee Report – page 128	Complied
Vii)	Group structure	The Group Governance Framework is disclosed in Corporate Governance report on page 64 of the annual report	Complied
Viii)	Director's report	Refer Annual Report of the Board of Directors on the Affairs of the Company on pages 121 to 125 for the following disclosures; • Declaration on not engaging in any activity, which contravenes laws and regulations • Director's declaration on all RPT with the Company and abstained voting • Fair treatments to all stakeholders • Going concern • Review of internal controls covering material risks to the Company and have obtained reasonable assurance	Complied
Ix)	Statement on Internal Control	Report by the Board on internal control mechanism of the Company that confirms the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting – Directors' Statement on Internal Control on pages 136 and 137 External Auditor's Assurance statement on effectiveness of the internal control mechanism – Independent Assurance Report to the Board of Directors on page 95 Report on compliance with prudential requirements, regulations, laws and internal controls – Directors' Statement on Internal Control on pages 136 and 137 A statement on regulatory and supervisory concerns – Directors' Statement on Internal Control on page 136	Complied

Reference to CBSL Direction	Direction requirement	Extent of Compliance as at 31.03.2023	Status of Compliance
X)	Corporate Governance report	The Corporate Governance Report is set out on pages 64 to 90 of the Annual Report of the Company. The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance	Complied
Xi)	Code of Conduct	A Board approved Directors' Hand Book for all members of Board and Code of Conduct for employees are in place. Please refer Corporate Governance Report on pages 64 to 90 for more details. Refer "Chairman's statement" on pages 10 to 12 that the company has no violations of any of the provisions of this Direction.	Complied
Xii)	Management report	Refer "Management Discussion and analysis" on page 27 of this annual report	Complied
Xiii)	Communication with shareholders – The policy and methodology for communication with shareholders. The contact person for such communication.	A Board approved Stakeholder Communication Policy is in place which covers all including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary communicates with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders. More details on communications with shareholders are stated Corporate Governance Report on page 90.	Complied

COMPLIANCE WITH LISTING RULES

Compliance with the Rules 7.6 and 7.10 of Listing Rule – Section 7 (Continuing Listing Requirements) issued by the Colombo Stock Exchange

Rule No.	Requirement under the Rules	Status of Compliance
7.6 CONTENTS OF ANNUAL REPORT		
7.6 (i)	Names of persons who were Directors of the Company during the financial year	Complied
7.6 (ii	Principal activities of the Company and its subsidiaries during the year	Complied
7.6 (iii)	Information on 20 largest shareholders at the end of the year	Complied
7.6 (iv)	The public holding percentage	Complied
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	Complied
7.6 (vi)	Information on buildings/land holdings and investment properties as at the end of the year	Complied
7.6 (vii)	Number of shares representing the stated capital as at the end of the year	Complied
7.6 (viii)	A distribution schedule of the number of holders in each class of equity securities and related information	Complied
7.6 (ix)	Ratios and market price information on equity, debt, change in credit rating	Complied
7.6 (x)	Significant changes in the Company's or Subsidiaries' fixed assets	Complied
7.6 (xi)	Details of funds raised through a public issue, Rights Issue and a Private Placement during the year -There were no share issues, rights issues or private placements during the year	Complied
7.6 (xii)	Information in respect of Employee Share Ownership or Stock Option schemes - The Company does not have any Employee Share Ownership or Stock Option Schemes at present.	Complied
7.6 (xiii)	Disclosure pertaining to Corporate Governance practice in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Listing Rules	Complied
7.6 (xiv)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity - The Company did not have any Related Party Transactions exceeding this threshold during the year.	Complied

Rule No.	Requirement under the Rules	Status of Compliance
7.10 CORPORATE GOVERNANCE		
7.10.1 Non-Executive Directors		
7.10.1 (a)	**Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors.** As at 31st March 2023, the Board of Company comprised of Seven (07) Non-Executive Directors out of a total of eight (08) Directors (88%)	Complied
7.10.1 (b)	**The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.** The Board comprised 08 Directors as at the conclusion of the immediately preceding AGM.	Complied
7.10.1 (c)	**Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.** No cessation or appointment of Directors occurred during the year	N/A
7.10.2	**Independent Directors**	
7.10.2 (a)	**Two or one-third of Non-Executive Directors, whichever is higher, should be independent.** Five (05) Directors out of seven (07) Non-Executive Directors are Independent.	Complied
7.10.2 (b)	**Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format** All Directors have submitted annual declarations in respect of the year under review	Complied
7.10.3	**Disclosures Relating to Directors**	
7.10.3 (a)	**The Board shall make determination of Independence/Non- Independence annually and Names of Independent Directors should be disclosed in the Annual Report.** Please refer pages 54 to 57 of the Annual Report	Complied
7.10.3 (b)	**In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.** Such situation has not been arisen during the year	N/A
7.10.3 (c)	**A brief resume of each Director should be published in the Annual Report including the areas of expertise** Please refer pages 54 to 57 in the Annual Report	Complied
7.10.3 (d)	**A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public.** Please refer pages 54 to 57 in the Annual Report.	Complied
7.10.4	**Criteria For Defining of Independence**	
7.10.4 (a-h)	**Requirements for meeting criteria to be independent.** All Independent Directors of the Company met the criteria for independency specified in this Rule.	Complied

Rule No.	Requirement under the Rules	Status of Compliance
7.10.5	**Remuneration Committee**	
7.10.5 (a)	**A listed Company shall have a Remuneration Committee. The remuneration committee shall comprise a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.** Board appointed Remuneration and Human Resources sub-committee is in place. Please refer page 131 of the Annual Report. Three out of a total of four Non-Executive Directors in the Human Resources and Remuneration Committee are independent. The Chairman of the sub-committee is an Independent Non-Executive Director.	Complied
7.10.5 (b)	**Functions of Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors.** This is included in the Terms of Reference for the sub-committee. Please also refer the Report of the Human Resources and Remuneration Committee on page 131 of the Annual Report	Complied
7.10.5 (c)	**The Annual Report shall set out** I. The names of the Directors that comprise the remuneration Committee; II. A statement of remuneration policy; III. Aggregate remuneration paid to Executive and Non-Executive Directors. Please refer the page 131 of Remuneration Committee Report.	Complied
7.10.6	**Audit Committee**	
7.10.6 (a)	**The Audit Committee (BAC) shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher.** **One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.** **The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.** **The Chairman or one member of the Committee should be a member of a recognised professional accounting body.** Majority of the members of the BAC are Independent Non- Executive Directors. The Chairperson of the Committee is a Non-Executive Director. Both the Chief Executive Officer and the Chief Financial Officer attend the meetings by invitation. The Chairperson of the Audit Committee is a fellow member of The Chartered Institute of Management Accountants (UK) and also a fellow member of Institute of Chartered Accountants of Sri Lanka and Association of Chartered Certified Accountants (UK). Please refer page 126 for the report of the Board Audit Committee.	Complied

Rule No.	Requirement under the Rules	Status of Compliance
7.10.6 (b)	**Function** **The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.** The Terms of Reference of the BAC, that has been approved by the Board, covers the said aspects. Please refer Board Audit Committee Report on pages 126 to 127 of the Annual Report.	Complied
7.10.6 (c)	**Disclosure in the Annual Report. The Annual Report shall set out;** **The names of the Directors who comprise the Audit Committee** **The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination** **A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the Listing Rules** Please refer the Board Audit Committee Report' on pages 126 to 127 for the required disclosure.	Complied

		Board Meetings		Board Audit Committee		Board Integrated Risk Management Committee		Board HR & Remuneration Committee		Related Party Transaction Review Committee		Board Nomination Committee	
		Meetings held	Attendance	Meetings held	Attendance	Meetings held	Attendance	Meetings held	Attendance	Meetings held	Attendance	Meetings held	Attendance
Mr. Rajendra Theagarajah	Note 01	13	12	-	-	4	3	4	4	-	-	-	-
Mr. Prakash Anand Schaffter		13	12	-	-	-	-	4	4	-	-	1	1
Ms. Minette. D.A. Perera		13	13	7	7	-	-	-	-	-	-	1	1
Ms. Indrani Goonesekera		13	13	-	-	4	4	-	-	4	4	-	-
Mr. Sriyan Cooray		13	12	7	6	-	-	-	-	4	4	-	-
Mr. Darshana Joseph Ratnayake		13	13	7	7	4	4	4	4	-	-	1	1
Mr. K.M.M. Jabir	Note 02	13	13	-	-	4	1	-	-	-	-	-	-
Mr. Nalin B. Karunaratne		13	11	-	-	-	-	4	4	4	3	-	-

Note 01

Mr. Rajendra Theagarajah was appointed as a Director with effect from 28th April 2022. He was appointed a member and the Chairman of the Board Integrated Risk Management Committee with effect from 24th May 2022.

Note 02

Mr. K.M.M. Jabir stepped down as a member of the Board Integrated Risk Management Committee with effect from 24th May 2022, in order to comply with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance.

BDO

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Colombo 02
Sri Lanka

REPORT OF FACTUAL FINDINGS IN ACCORDANCE WITH THE CORPORATE GOVERNANCE DIRECTION ISSUED BY

CENTRAL BANK OF SRI LANKA

TO THE BOARD OF DIRECTORS OF ORIENT FINANCE PLC

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

WE REPORT OUR FINDINGS IN THE ANNEXURE.

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

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

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

BDO Partners

CHARTERED ACCOUNTANTS
Colombo 02
27th June 2023
HSR/cc

CORPORATE GOVERNANCE

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Orient Finance PLC complies with the Code of Best Practice on Corporate Governance 2017 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka on a voluntary basis and as a best practice. The extent of compliance is given below.

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A. DIRECTORS			
A.1	Every public company should be headed by an effective Board, which should direct, lead and control the Company.	The Board consists of eight (08) Directors as at 31st March 2023, seven (07) of whom functioned as Non-Executive Directors. They have gained the required professional competence, skills and experience in the fields of banking, finance, legal, IT, economics in order to lead and direct the affairs of the Company. The Board gives leadership in setting the strategy and implement a sound control environment for the successful operation of the Company.	Complied
A.1.1	The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year.	The Board usually meets at monthly intervals. The Board met 13 times during the year. Attendance at meetings is summarized on page 94. The process of submitting information is documented by the Board. Information included in monthly reports to the Board are included in detailed reports (such as financial results and different aspects business operation, risk, strategic planing of the Company and updates received from Board Sub Committees.	Complied
A.1.2	The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed	The Board engages in providing direction in formulating a strategic planing. The well-defined strategy of the company provides a direction for the business and a Board has approved strategic plan covering three years from 2022/23 to 2024/25. The Chairman provides strong leadership to the Board while the Human Resources and Remuneration sub-committee of the Board ensures that the CEO and the Key Responsible Personnel (KRP) have the required skills, experience and knowledge to implement the Board approved strategies. The Board has delegated its authority to Sub Committees to overlook the specific responsibilities and all Board sub committees has Board approved terms of references. The Board provides guidance to ensure the availability of effective MIS, internal controls, risk management and compliance with laws, regulations and code of conducts. Please refer following reports for further details. The Directors statement on internal controls over financial reporting - page 136 The Corporate Governance report - pages 64 to 90 The Integrated Risk Management report - page 129 The Board Audit Committee report - page 126	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A.1.3	The Board collectively and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise.	The Board collectively and Directors individually, recognise their duty to comply with all applicable laws and regulations. The Board of Directors ensures that procedures are in place to ensure that the Company complies with all applicable laws and regulations.	Complied
A.1.4	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with.	All Directors have access to the Company Secretary and services are available to all Directors. Company Secretary advises the Board on corporate governance matters, Board procedures and applicable rules and regulations.	Complied
A.1.5	Directors should bring independent judgment to bear, in discharging their duties and responsibilities on matters relating to the Board including strategy and performance	All Directors are responsible for bringing independent judgment on issues of strategy, performance, statutory and regulatory compliance and standards of fair business conduct. Non-Executive Directors also provide independent judgment on the proposals made by the CEO and the senior management.	Complied
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.	All Director have dedicated adequate time and effort relating to matters of the Company and Sub Committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Board Papers are uploaded in advance of the meetings, providing sufficient time for the Directors to review the papers before a meeting and request for additional details. All matters that require follow up are discussed at the immediately succeeding Board meeting.	Complied
A.1.7	One third of directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.	A requirement did not arise during the year.	Complied
A.1.8	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary.	An appropriate guidance is provided to all Directors when they first appointed to the Board with regard to the affairs of the Company and governance framework. Further the Corporate Management make explanations with regard to the business environment to update the knowledge as and when required. The Board regularly reviews the training and development needs of the Directors to effectively discharge their duties assigned to them.	Complied

CORPORATE GOVERNANCE

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A.2	**Chairman and Chief Executive Officer** Clear division of responsibility at the head of the Company	The roles of Chairman and CEO are held by different persons enabling a clear division of responsibilities between the Chairman and the CEO. This ensures a balance of power and authority, such that no one individual has unfettered powers of decision.	Complied
A.3	Chairman's Role in preserving Good Corporate Governance	The Chairman provides a strong leadership to the Board, ensures that the Board works effectively and discharges its responsibilities and ensures that all key issues are appropriately discussed by the Board in a timely and effective manner. In consultation with the CEO, Chairman approved the detailed agenda prior to the Board meeting. Company secretary ensures the effective participation and balance of power between executive and Non-Executive Directors at Board meetings to make their participation for the benefit of the Company. The views of the Directors on issues under consideration are noticed and a record of such meeting discussions are reflected in the minutes.	Complied
A.4	Availability of Directors with sufficient Financial Acumen and knowledge to offer guidance on matters of finance	Board consists of eight (08) Directors and they have sufficient qualifications in finance, banking, legal, internal control & direct organisations. All of them are members of professional financial institutes and they have gained financial acumen and knowledge. Please refer the profiles of the Board of Directors are given on pages 54 to 57	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A.5	**Balance of Executive and Non-Executive Directors in the Board** It is preferable for the Board to have a balance of Executive and Non-Executive Directors as such that no individual or small group can dominate the Board's decision-taking. The Board shall include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher. Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the Specimen in Schedule K of Code In the event the Chairman and CEO is the same person, or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO, Board should appoint one of the independent Non-Executive Directors to be the "Senior Independent Director" (SID) and disclose this appointment in the Annual Report. Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	The Board includes a strong presence of Non-Executive Directors and no individual or small group of individuals can dominate the Board's decision taking. During the financial year, the Board comprised seven (07) Non-Executive Directors and one (01) Executive Director that ensured the balance and independence within the Board. The Board has determined five (05) out of seven (07) Non-Executive Directors as independent directors. The Board evaluates the Independence of Directors yearly using annual declarations submitted by the Directors according to the criteria stipulated in the relevant laws and regulations. **Signed declaration of independence by the Non-Executive Directors** All Non-Executive Directors provided the signed declarations of independence for 2022/23. Based on the annual declarations submitted by the Directors, there are seven (07) Non-Executive Directors and out of them, five (05) are independent. **Appointing an Alternate Director** No Alternate Directors were appointed during the year. **Appointing Senior Independent Director (SID) and confidential discussion with other Directors by the SID** No SIDs were appointed during the year. The Chairman held a meeting with Non-Executive Directors, without the Executive Director / CEO being present. There were no instances where the Directors could not unanimously resolve matters.	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A.6	**Provision of Appropriate and Timely Information** Management should provide timely information to the Board. The Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings The minutes, agenda and papers required for a Board meeting should be provided before seven (7) days.	Timely and accurate information and important issues/ updates relating to the financial performance, risk and regulations, systems and procedures are provided by the Management to the Board usually seven days prior to the Board meetings. If a requirement was arisen, further inquiries have been requested by management team to obtain required details for discussions and effective decision making. The minutes of the previous meeting, agenda and Board papers are circulated to Directors with seven (07) days prior to the Board meeting	Complied
A.7	**Appointments to the Board** The appointment of new Directors should be processed through a formal and transparent procedure A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. The Nomination Committee should annually assess Board-composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. When appointing of new Directors to the Board following shall be disclosed; brief resume of the Director; nature of his expertise in relevant functional areas, names of companies in which the Director holds directorships or memberships in Board committees; and Director can be considered 'independent'.	The Nomination Committee makes recommendations to the Board on all new appointments to the Board. The nomination committee composition and the activities performed during the year are discussed in the report of the Nomination Committee is given on page 133 of the Annual Report. The Nomination Committee reviews the new appointments and re-elections to the Board with strategic direction of the Company to attract and retain Board members with relevant experience and qualifications and to ensure that Board appointees are fit and proper. Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange as well as in the Annual Report. Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka and notification is sent to CSE.	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A.8	**Re-election of Directors** All Directors should be required to submit themselves for re-election at regular intervals and at least once in every 03 years Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment should not be automatic. All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years Resignation of Directors	At each Annual General Meeting one-third of the Non-Executive Directors for the time being who are subject to retirement, or, if their number is not a multiple of three, the number nearest to (but not greater than) one third, retire and seek re-election by the shareholders. The provisions of the Company's Articles of Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting. When Directors submit themselves for re-election or reappointment, minimal disclosures as defined in the code of best practice on corporate governance are made to all shareholders to make informed decisions on their election. The fitness and proprietary of each Director will be reviewed by the Nomination Committee and make recommendations for re-election. There were no resignations during the year.	Complied
A.9	**Appraisal of Board & Sub Committee's Performance** The board should have in place a formal and rigorous process for annually reviewing the performance of the board. The Board should also undertake an annual self- evaluation of its own performance and that of its Committees. The Board should have a process to review the participation, contribution and engagement of each director at the time of re-election. Disclosure in the Annual Report about the Board's performance evaluation methodology.	The Board annually appraises its own performance to ensure that it is discharging its responsibilities satisfactorily. This process requires each Director to fill Board Performance Evaluation Forms in line with this Section of the Code. The responses are reviewed by the Company Secretary who collates them and submits it to the Chairman for necessary action decided by the Board. A formal process is in place for Sub Committee to carry out its self-evaluations to determine the effectiveness of their performance. All Sub Committees have performed self-evaluations of their performance during 2022/23 and areas identified for improvements are also discussed at their respective meetings and updated the Board by respective Chairperson. The Board has a process of self assessment to review the participation, contribution and engagement of each Director, at the time of re-election. A Board approved procedure is in place.	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
A.10	Annual Report to disclose Specified Information Regarding Directors; Name, qualifications and brief profile; Nature of his/her expertise in relevant functional areas; immediate family and/or material business relationships with other Directors of the Company, Executive, Non-Executive and/or independent Director; Names of listed companies in Sri Lanka in which the Director concerned serves as a Director, Names of other companies in which the Director concerned serves as a Director	Profiles of the Board of Directors are given on pages 54 to 57 including other Directorships held by the Directors and memberships of Board Committees. Directors' attendance is disclosed on page 94.	Complied
A.11	Annual appraisal of the CEO The Board should be required, at least annually, to assess the performance of the CEO	At the end of each financial year the Board evaluates the performance of CEO against goals and targets set at the commencement of each year.	Complied
B DIRECTORS' REMUNERATION			
	Remuneration Procedure The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Directors should be involved in deciding his/her own remuneration Board should set up a Remuneration Committee to make recommendations to the Board, within agreed TOR, on the Company's framework of remunerating executive directors. Remuneration Committees should consist exclusively of Non-Executive Directors with a minimum of three Non- Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director and should be appointed by the Board	The Board has established the Remuneration and HR Sub-Committee within the agreed TOR to overlook the company's framework of remunerating the Executive Directors and senior management. Composition of HRRC is in line with the Codes of Best Practice. HRRC consists of 04 Non-Executive Directors and 03 of them are independent in accordance with the code. An Independent Non-Executive Director has been appointed as Chairman of the HRRC. **Disclosure in the Annual Report** HRRC report is given on page 131 of the Annual Report. **Remuneration of Non-Executive Directors** Non-Executive Directors receive a fee for being a Director of the Board and they are entitled for additional fee whenever they serve on Board Sub Committees.	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
B.2	**Level & Make up of Remuneration Committee** Level of remuneration of both the Executive and the Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Director's remuneration should be structured to link rewards to corporate and individual performance Remuneration Committee should consider compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options.	Board consists of one Executive Director. Remuneration of Non-Executive Directors are decided considering the time commitment, responsibilities of the role and industry practices.	Complied
B.3	Disclosures related to Remuneration in Annual Report Annual Report of the Company should contain a statement of Remuneration Policy and details of remuneration of the Board as a whole	Remuneration Committee report is given on page 131 which sets out the details on the composition of Committee and the remuneration policy.	Complied
C RELATIONS WITH SHAREHOLDERS			
C.1	**Constructive use of the AGM & Other General Meetings** The Board should use the Annual General Meeting (AGM) to communicate with shareholders and should encourage their participation Adequate notice for the AGM to the shareholders shall be communicated as determined by statute	The Annual Report including Financial Statements and the Notice of the Meeting are sent to shareholders 15 working days prior to the date of the AGM as stipulated by the Listing Rules stipulated by Colombo Stock Exchange.	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
C.2	**Communication with shareholders** The Board should implement effective communication with shareholders and there shall be a methodology of communicating Disclosure of the contact person as per Stakeholder Communication Policy Awareness of Directors on major issues and concerns of shareholders Company shall decide the person to contact in relation to shareholders' matters Process for responding to shareholder matters shall be formulated by the Board and disclosed	Channels of communication with shareholders includes press releases and notices. Required disclosures to the CSE are published on the CSE website. The quarterly Interim Financial Statements are communicated to the CSE as per the listing rules stipulated by CSE. Half yearly and Audited Financial Statements are published in daily newspapers in all three languages as per the Finance Companies Guidelines No. 02 of 2006 and amendments thereto. Notice of AGM is circulated together with the Annual Report and Audited Financial Statements have been communicated to shareholders 15 working days prior to the date of the AGM. No Extra-ordinary General meetings are convened during the financial year. Company provides a fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided. The Company has implemented a Stakeholder Communication Policy that outlines various communication channels aimed at reaching all shareholders of the Company. Shareholders are encouraged to direct their inquiries and comments to the Company Secretaries and they will ensure that all inquiries are appropriately addressed. Details of key contact persons are included in the Board approved Stakeholder Communication Policy. Process to make all Directors aware on major issues and concerns of shareholders has been established through the Stakeholder Communication Policy. The Company Secretary maintains a record of all concerns received and will convey them to the attention of Board or its members as applicable. Company Secretary can be contacted for any queries of shareholders. Process has been formulated through a Board approved Policy in responding to shareholder matters.	Complied
C.3	**Disclosure of major and material transactions** Company shall disclose major and material related party transactions.	During the year, the Company did not engage to any major related party transactions which materially affected the Company's net asset.	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
D ACCOUNTABILITY & AUDIT			
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects Presenting true, fair, balanced and understandable Annual Report with financial statements in conformity with relevant laws and regulations The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors 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. Board should adequately and accurately disclose the related party transactions in its Annual Report	The Company has reported a true and fair view of its financial position and performance for the year ended on 31st March 2023 and at the end of each quarter of the financial year and all price sensitive information has been disclosed to SEC in a timely manner. A declaration from CEO and CFO has been obtained confirming that Company's interim and annual financial statements are prepared in-conformity with applicable accounting standards, relevant laws and regulations and gives true and fair view of the financial position and performance, risk management and effectiveness of the internal controls. **Directors' Report in the Annual Report** Annual Report of the Board of Directors on the affairs of the Company is given on page 121 covering all areas of this section. Statement of Directors' Responsibility for Financial Reporting is given on page 149 and Auditors responsibility is given in the Independent Auditor's Report on page 138 respectively. **Annual Report should contain a "Management Discussion & Analysis"** Management discussion and analysis is given on pages 27 to 49 Risks and concerns - Risk Management report on pages 108 to 120 Social and environmental protection activities carried out by the Company on page 46 Financial performance on page 06 A Board-approved procedure is available in the Company for monitoring and reporting of Related Party Transactions. The Company Secretary makes necessary disclosures of any Related Party Transactions which require disclosure as per the rules. All related party transactions as defined in Sri Lanka Accounting Standard -24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 38 to the Financial Statements on pages 193 Related parties and related party transactions are identified to ensure compliance with the related party disclosure requirements stipulated by regulatory bodies such as Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC), Sri Lanka Accounting Standards, Sri Lanka Auditing Standards, and other relevant regulations	Complied

CORPORATE GOVERNANCE

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
D.2	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company	The Board Integrated Risk Management Committee assists the Board in discharge of its duties with regard to risk management and the Board Audit Committee assists the Board in discharge of its duties in relation to comply with internal controls of the company. The BAC annually reviews the effectiveness of internal controls and risk management process through IAD to ensure effective discharge of their duties. Internal Audit Investigations have been developed and scheduled as per the Board approved Internal Audit Plan to provide reasonable assurance on reliability of internal controls over financial reporting and business process/ activities. The responsibilities and functions of the BAC are given in BAC Report on page 126. The BIRMC is supported by the Risk & Compliance Department of the company and BIRMC report is included on pages 129 to 130	Complied
D.3	**Audit Committee** Board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least 02 should be independent. If there are more non-executive directors, the majority should be independent. BAC should be chaired by an independent non- executive director. BAC should have a written Terms of Reference, dealing clearly with its authority and duties. BAC shall review the scope and results of the audit and its effectiveness and independence and objectivity of the External Auditor A separate section of the annual report should describe the work of the BAC in discharging its responsibilities.	The BAC consists of 03 Non-Executive Directors of whom majority are independent. The composition, scope and profiles of the Board Audit Committee members are stated in Board Audit Committee report on pages 126 to 127. The Board approved TOR is in place. The Committee acts according to the TOR and assists Board in discharging its duties. The responsibilities and activities of BAC performed during the period are given in Board Audit Committee report on page 126. The BAC periodically reviews the scope, outcome of the audit, independence and the objectivity of the Auditors. The BAC would consider independence when providing non-audit services related engagements to the External Auditor as per the Board approved procedure. It is also responsible to make recommendations on the appointment, reappointment and removal of Auditors. The Committee responsibilities and activities performed during the period are given in Board Audit Committee report on page 126	Complied

Code Ref.	Requirement	Reference	Extent of Compliance as at 31.03.2023
D.4	**Related Party Transactions (RPT) Review Committee** RPT Review Committee shall have a procedure to ensure that the company does not engage in transactions with related parties in a manner that would grant "more favourable treatment" to such parties. RPT) Review Committee consisting exclusively of Non- Executive Directors with a minimum of 03 Non-Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. Chairman should be an Independent Non-Executive Director appointed by the Board. Review and recommend to the Board the related party disclosures to be made in the Annual Report of the Company.	A Board approved process is in place for identification of related parties and RPTs as defined in LKAS 24 and other regulations. The Board has established a RPT Review Committee consisting three Independent Non-Executive Directors. An Independent Non-Executive Director functions as the Chairperson of the committee and the Executive Director/CEO and senior managers may attend the meetings by invitation. Report on RPT Review Committee is given on page 128.	Complied
D.5	**Code of Conduct and Ethics** All Companies must disclose whether they have a Code of Business Conduct & Ethics for Directors and Key Personnel and if they have such a Code, make an affirmative declaration in the Annual Report	The Board approved Employee Code of Conduct for all staff members are in place including the major areas of; conflict of interest, bribery and corruption, entertainments and gifts, accurate accounting and record keeping, fair and transparent business practices, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, rules and regulations and encouraged to report of any illegal, fraudulent and unethical behaviour.	Complied
D.6	**Corporate Governance Disclosures** The Board should disclose the extent of compliance with good corporate governance principles and practices.	The requirement is met with the presentation of this Corporate Governance Report from pages 64 to 90 of the Annual Report.	Complied
G INTERNET OF THINGS & CYBERSECURITY			
	Board should have a process to identify cyber security risk management and compliance with cyber security risk management policy	A Board approved Information Technology Policy provides a governing framework for IT Risk Management. Please refer page 40	Complied
H ENVIRONMENT, SOCIETY & GOVERNANCE			
	Board has a responsibility to design and add value by providing a credible account of the Company's economic, social and environmental impact	Please refer page 46	Complied

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 markets across multiple locations, product categories, functional departments, customer segments and asset classes. In doing this we take an integrated approach to risk management.

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

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

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

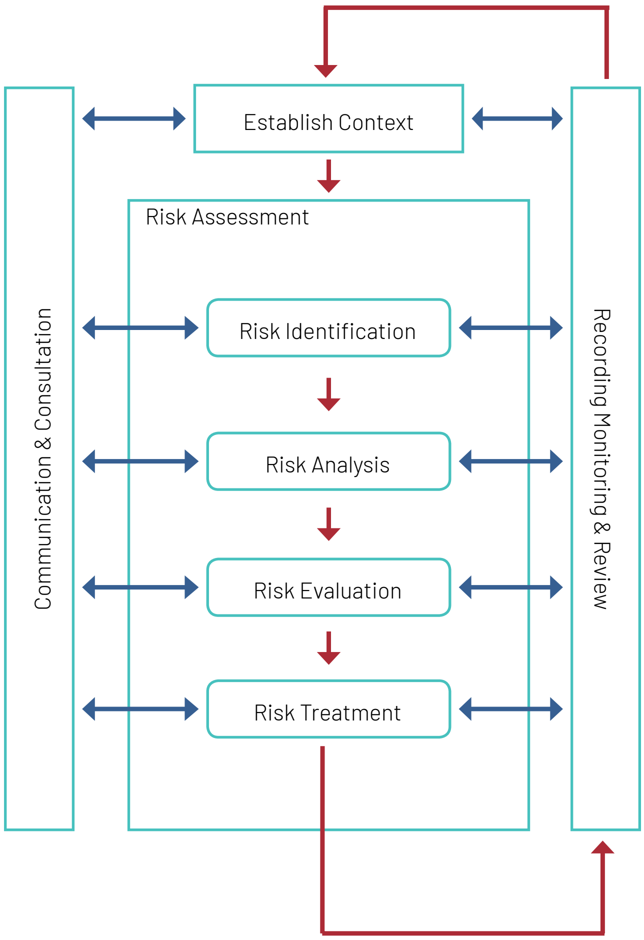
The IRMC is the Board subcommittee, which oversees the risk management function in line with the Board approved policies and strategies. IRMC develops the policy and operations for Company-wide risk management. In addition to the Board's representatives, the IRMC consist of the CEO, Head of Finance and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

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

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

PROCESS FOR MANAGING RISK

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



The risk management process at Orient Finance PLC is based on 3 lines of defense:

1. The first line of defense – the business units or the front line including the client care co-ordinators and branch front office staff team
   - Compliance with operational policies and procedures
   - Proactive risk identification, assessment, control and monitoring
   - Collaborative communication to promote a strong risk culture and risk awareness

2. Second line of defense – risk and compliance unit
   - Implementation of the Risk Management Governance Structure
   - Review and reporting of risks of the departments, branches, products, processes, systems to the Board Risk Committee, as required
   - Identification and assessment of risks and monitoring risks against the Board approved risk appetite
   - Recommending appropriate action to mitigate risks, if any, that have exceeded beyond tolerance levels

3. Third line of defense – internal audit that performs checks on the entire process to observe if the controls are in place
   - Monitoring compliance with the Risk Management Governance Structure
   - Assessment of the effectiveness of risk management tools and techniques adopted

Obtaining reasonable assurance from the Executive Risk Committee that all known and emerging risks have been identified and appropriately managed

The Company has adopted a three-stage line of defense to manage risks, ensuring all categories and types of risks are considered for operating in an effectively risk-managed environment. The Company's risk and compliance division oversee the entire risk management process while business units and functional teams provide input regarding the various risks faced in the course of doing business. The internal audit division performs regular planned checks of the entire risk management process and verifies that all controls and mitigation measures are in place.

The risk management process is led by the risk and compliance division, while the risk identification is carried out in collaboration with the various departmental heads to identify existing or potential risks.

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 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.

Any risks that would impact the Company beyond the pre-determined risk tolerance limits or the Company's risk appetite will be minimised or mitigated through risk minimisation/mitigation actions. Appropriate minimisation/mitigation actions will be applied until the risk falls within the risk appetite limits of the Company.

SUMMARY OF KEY RISK CATEGORIES

Risk Type	Risk Appetite Level	Objective	Risk Level
Strategic Risk		To minimise risks associated with Company's business strategy, strategic objectives and strategy execution	Medium
Credit Risk		To safeguard the asset quality and reduce exposures to high risk segments	Medium
Liquidity Risk		To safeguard against funding constraints that prevent growth and meet demands of depositors/investors	Medium
Market Risk		To safeguard against adverse movement of market factors arising out of price sensitivities of funding sources, investments, commodity prices	Medium
Operational Risk		To improve the reliability and effectiveness of business operations and enhance operational effectiveness	Medium
Compliance Risk		To minimise the cost of non-compliance, regulatory sanctions and litigation	Medium

RISK MANAGEMENT

Risk Type	Risk Appetite Level	Objective	Risk Level
Deposit Risk	●	To mitigate the risk of probable cash outflows from a financial institution that is caused by changes in depositors' behavior	Medium
Capital Adequacy Risk	●	To maintain the required amount of capital in line with the CBSL minimum requirement and an additional buffer which is adequate to absorb the unexpected losses.	Medium
Human Resource Risk	●	Attract, develop and retain the right number of appropriately skilled people, compete and grow effectively. Ensure that an appropriate succession plan is in place.	Low
Reputational Risk	●	Effectively manage the potential damage to the Company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Company or its actions	Low
Technology Risk	●	Manage the complexity of cyber- attacks, obsolescence, unexpected break down of ICT systems and loss of sensitive and valuable information.	Low

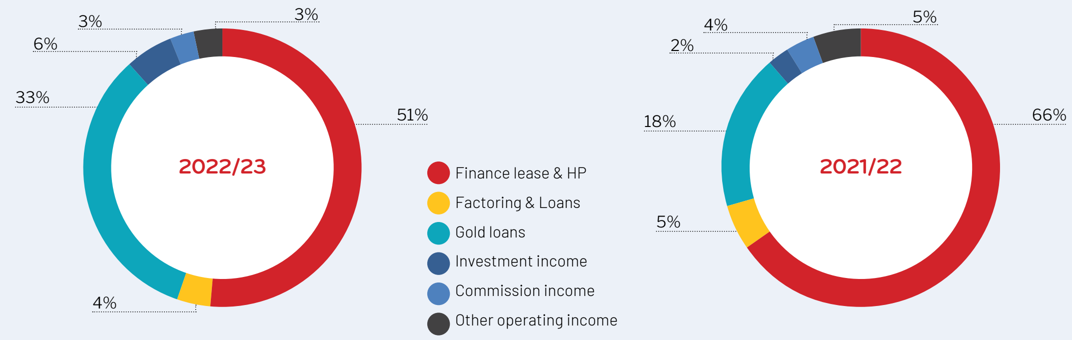
● Low ● Medium ● High ● None

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 periodically to assess the possible obstacles that could arise in achieving the strategic objectives.

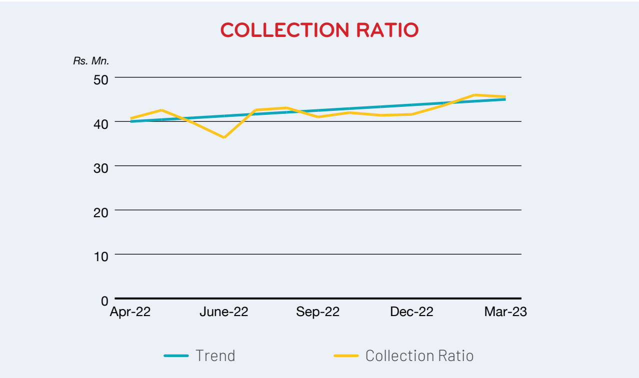
REVENUE COMPOSITION 2021/22 VS 2022/23



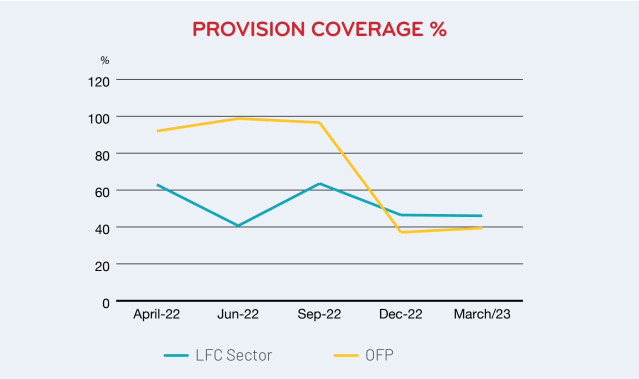
The revenue composition has shifted from leasing facilities to income generated from gold loans during the financial year, leading to a higher concentration on Gold Loan Portfolio.

COLLECTION RATIO

Overall collection ratio decreased to 45.60% in March 2023 compared to 53.46% in 2022 and it has improved considerably from December 2022 (41.40%) representing an increasing trend.



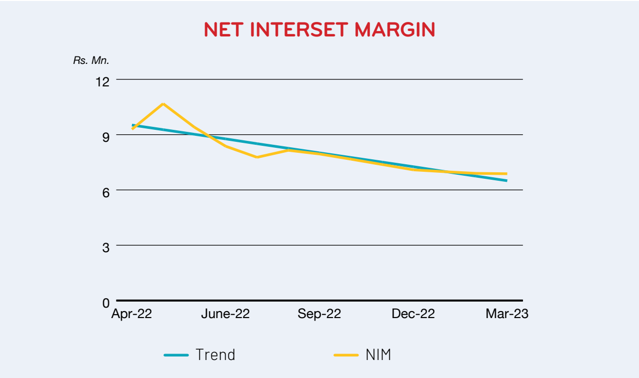
PROVISION COVERAGE RATIO



As a result of Company's prudent provisioning policy, almost all the delinquent loans have been fully provided for.

NET INTEREST MARGIN

NIM has been on a decreasing trend with slight fluctuations since May 2022 to March 2023 and reported 6.88% as at 31st March 2023.



Total Assets base of OFP has decreased from Rs. 17.73 Bn to Rs. 17.47 Bn which indicated an decrease of 1.46% and loan portfolio has decreased by 8.06 % during the financial year.

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE STRATEGIC RISK

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

CREDIT RISK

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

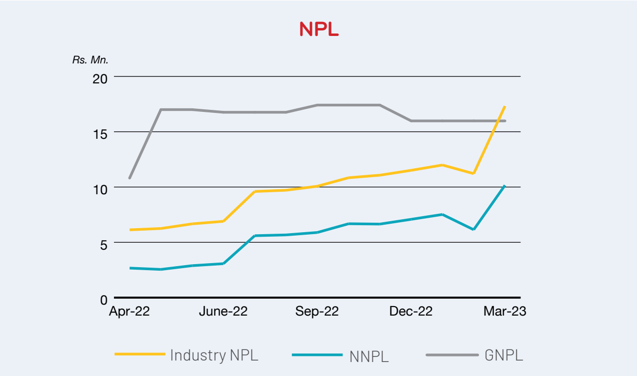
At Orient Finance PLC, Credit is required to be granted according to the approved policies and procedures of the Company. A Board approved Credit Policy manual is in place to guide the business units. Special attention is given to Credit Risk Management in terms of analysing customer credit worthiness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

CREDIT AND OPERATIONS MANUAL

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

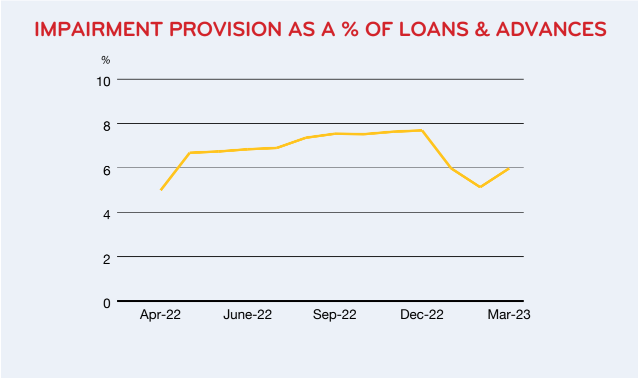
HOW CREDIT RISK IMPACTS OUR BUSINESS

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



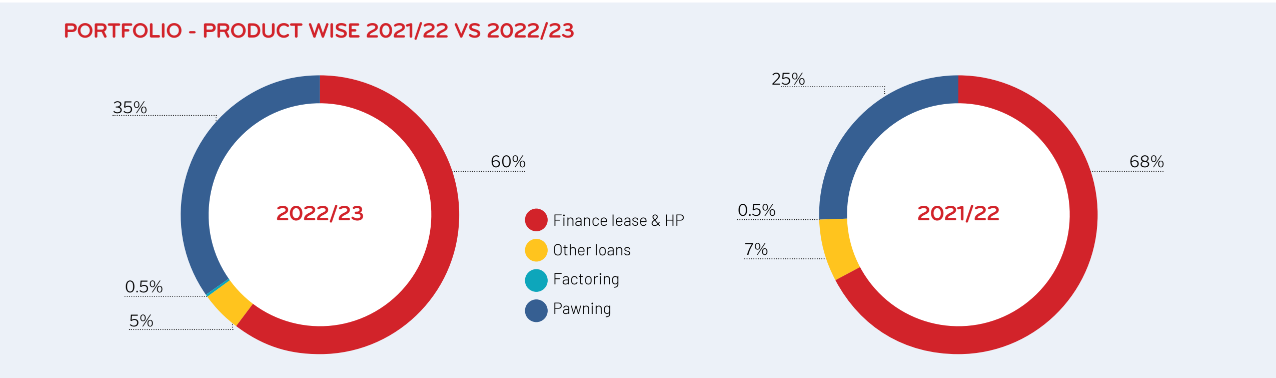
The non-performing loans ratio is a salient measure of the asset quality. Non-performing loans ratio is monitored on a regular basis at branch level, regional level and Company-wide level under the different product categories. During the year under review, the Company has reported the NPL ratio of 17.32% (Gross) as at 31.03.2023 whilst the industry NPL was 15.98%

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



The provision for impairment as a percentage of gross loans and receivables has increased as a result of the increase in the NPL ratio and decreasing after February 2023.

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



As at 31st March 2023, 60% of the total portfolio consists of Lease facilities where as the gold loan portfolio contribute to 35% of the total portfolio. However, loan and factoring portfolios have been further decreased during the year, since the products are no longer promoted.

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE DEFAULT CREDIT RISK

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

LIQUIDITY RISK

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

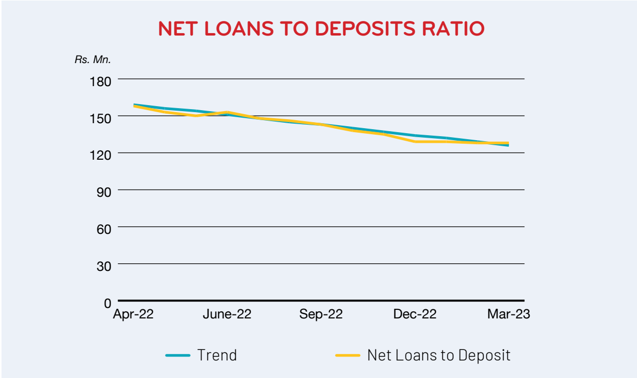
* **Market liquidity:** Market liquidity risk is the inability to easily exit a position. The Company's market liquidity risk is low if assets can be liquidated without swaying the price.
* **Funding liquidity:** - Funding liquidity risk means the company's inability to finance assets continuously at an acceptable borrowing rate and it arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable.

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

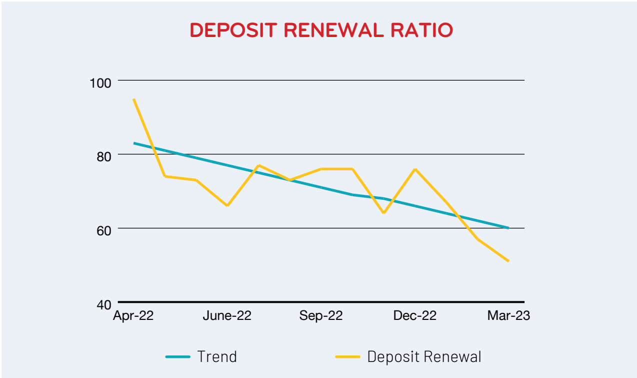
MONITORING AND GOVERNANCE OF LIQUIDITY RISK

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

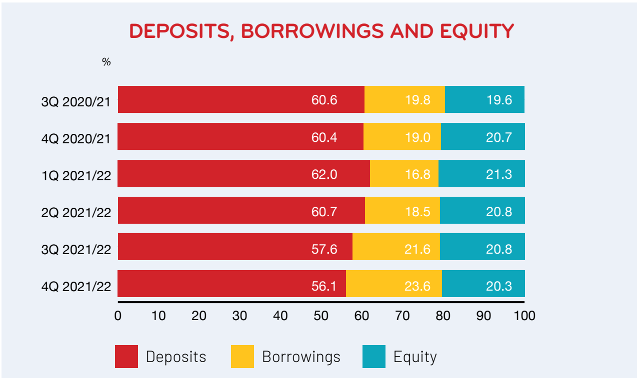
LOANS TO DEPOSIT RATIO



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

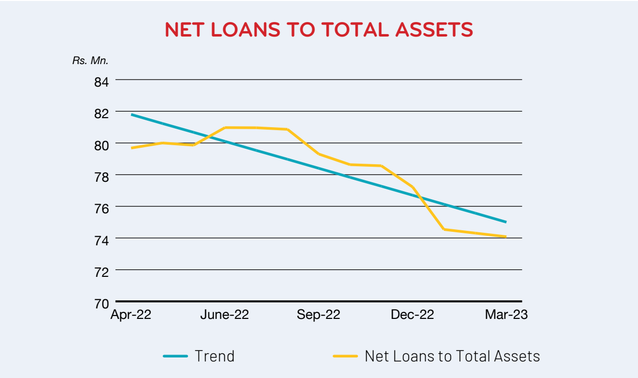


The deposit renewal ratio was maintained slightly above the threshold limit of 71% throughout the year despite the economic shocks generated by the crisis situation. OFP's deposit renewal ratio for the current financial year remains at 51% as at 31.03.2023

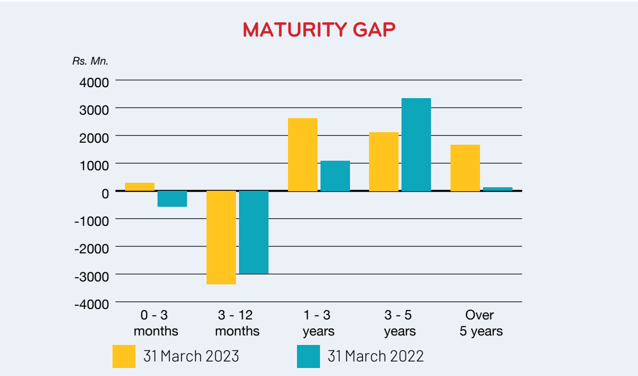


As at 31st March 2023, 80% of the Company's total assets were funded by borrowings and customer deposits as opposed to 79.7% recorded as at 31st March 2022.

Funding from customer deposits has increased to 62.50% and borrowings has been decreased to 17.39 % during the financial year 2022/23.



A decline of ratio shows since April 2023, net loans to total assets reflects that Orient Finance PLC's loans and advances in total asset base has significantly declined and it reflects on declining of core business, i.e. Finance Leasing



The new liquidity position in 0 - 3 months maturity gap decreased. However, 03 - 12 maturity gap shows an decreasing negative liquidity gap and it has increased compared to FY 2021/22.

ACTIONS TAKEN BY THE COMPANY TO MANAGE LIQUIDITY RISK

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

MARKET RISK

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

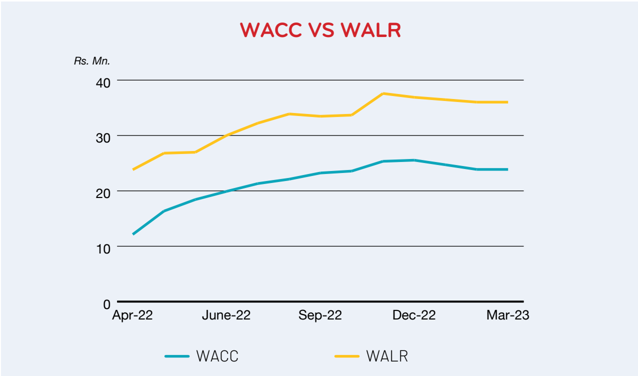
Excessive movements in market risk indicators could bring severe volatility to the Company's net interest income and net interest margin. Therefore, Orient Finance PLC focuses on maintaining an adequate Net Interest Margin so that increases in interest expenses can be absorbed to a certain extent.

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

INTEREST RATE RISK

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

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



The cost of funds of Orient Finance PLC as at 31st March 2023 is far above the budgeted level of 12.26%. Cost of funds indicated a gradual increasing trend and from December 2022.

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE INTEREST RATE RISK

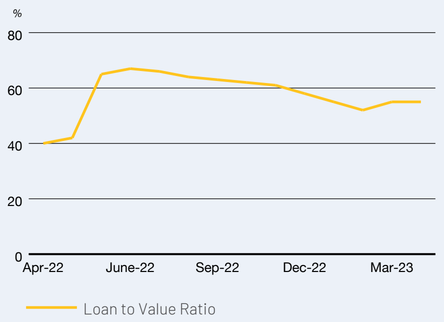
1. Closely monitoring the interest rate movements and issues directions to lending and borrowing units on interest rate strategies.
2. Conducting regular stress testing to assess interest rate sensitivity on company's asset and liability portfolios.

COMMODITY PRICE RISK

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

The Company's lending strategy on Loan to Value ratio of gold loan advances based on the gold market prices and mix of the Advances portfolio. Advance offered for gold loan advances is frequently adjusted in line with the gold market prices.

LOAN TO VALUE RATIO OF GOLD BACKED LOANS



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

OPERATIONAL RISK

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

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

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

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

Actions Taken by the Company to Manage the Operational Risk:

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

COMPLIANCE RISK

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

The Company has established a Risk and Compliance Division in order to oversee the compliance of the Company with Central Bank directions, Colombo Stock Exchange regulations and other related regulations. The Risk & Compliance Department disseminates the regulatory directives through internal communication to relevant staff members. Regulatory requirements are incorporated into policies & procedures of the company for effective compliance.

OFP's compliance with key prudential requirements is given below:

Key Prudential Requirements	Regulatory Requirement		Actual as at 31st March 2023	Status of Compliance
Provision against Total Advances	4.84%		7.42%	Complied
Liquid Assets Ratio	Fixed Deposits - 10% or more Savings -15% or more Unsecured Borrowings -10% or more Approved securities - 7.5% or more		119.35%	Complied
Liquid Assets	10% of Total time deposits and non-transferable certificate of deposits	Rs. 1,070.07 Mn	Rs. 1,289.39 Mn	Complied
	15% of savings deposits	Rs. 8.81 Mn		
	10% of the stipulated borrowings	Rs. 1.49 Mn		
	Required Minimum Amount of Liquid Assets	Rs. 1,080.37 Mn		
	Required minimum amount of approved securities should be maintained at the minimum of 7.5% of average month end total deposits and borrowings in the previous financial year.	Rs. 669.22 Mn	Rs. 836.20 Mn	Complied
Single Borrower Limit				
To a single customer	Aggregate of accommodation granted to a single customer should not be more than 15% of capital funds of LFC's as of the last audited financial statements		The largest facility outstanding - Rs. 40.11 Mn.	Complied
	As per the last audited FS of the Company, maximum amount shall be Rs. 470.98 Mn			

Key Prudential Requirements	Regulatory Requirement	Actual as at 31st March 2023	Status of Compliance
Capital Adequacy Ratio			
Core capital ratio	More than or equal to 8.50%	15.50%	Complied
Total risk weighted capital ratio	More than or equal to 12.50%	16.58%	Complied
Capital Funds (Rs.)	2.5 Bn	Rs. 3.14 Bn	Complied
	Capital Funds shall be more than 10% of total deposit liabilities	Total Deposit Liability was Rs. 10.76 Bn and 10% of total deposit liability is Rs. 1,075.95 Mn	
	As at 31st March 2023, 10% of total deposit liability was Rs. 1,075.95 Mn		
Contribution to the Deposit Insurance Scheme	Finance Business Act Direction No.02 of 2021	All the payments to Sri Lanka Deposit Insurance Scheme have been transferred within the given time period.	Complied
Submission of Periodical returns to CBSL	Finance Business Act No. 42 of 2011 and Directions thereto	All Periodical Returns due for the period under consideration have been submitted within the given time period.	Complied
Finance Transactions Reporting			
Submission of Cash Transaction Report (CTR) to the FIU on all cash transactions which exceed Rs. 01 Mn	Financial Transactions Reporting Act No. 6 of 2006	All the CTR reports due for the period under consideration have been submitted within the given time period.	Complied
Customer Name Screening		World Check Name Screening has been enabled	Complied

RISK MANAGEMENT

MITIGATION ACTIONS:

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

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

DEPOSIT RISK

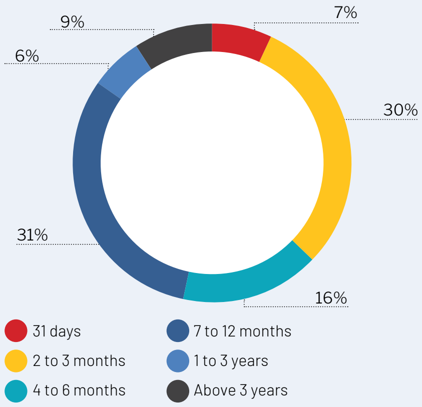
Deposit risk is the threat of probable cash outflows from a financial institution that is caused by changes in depositors' behaviour. It could consists of early withdrawal (depositor withdraws his or her deposit from an account before the agreed-upon maturity date) and rollover risk (depositor refuses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

Due to the economic and market conditions that prevailed during the year, increasing the FD portfolio was a challenging task. However, Orient Finance PLC achieved an increase of 16.9% during the year.

DEPOSIT BASE

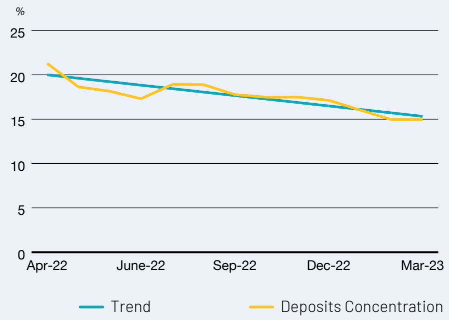
* Overall, the FD and Saving base has increased by 16.90% % during the financial year, amounting Rs. 10.76 Bn as at 31st March 2023.
* The total number of fixed depositors as at 31st March 2023 was 2,461. The number of FD holders increased to 3,940 during the year. The increase in the number of depositors and the increase in the deposit base indicate a decrease in the concentration risk in the deposit base.

FD MATURITY PROFILE AS AT 31ST MARCH 2023



As per the FD maturity profile, 84.74% of the FD base reaches the maturity period within 12 months.

CONCENTRATION TREND OF THE TOP 20 CUSTOMERS



Concentration level of the top 20 depositors as at 31st March 2023 has decreased to 16% from 21% during the financial year with an decreasing trend.

RISK MITIGATION ACTIONS

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

CAPITAL MANAGEMENT

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

In the year under review, OFP's Capital Adequacy levels further strengthened owing to early action taken by the Company to comply with the capital adequacy directive for NBFI's issued by the CBSL in June 2018. As per the revised CBSL directive, NBFI's with an asset base less than 100 Bn are required to ensure Tier I capital of 8.50% and total capital adequacy of 12.50% by end March 2023.

The company's Capital Adequacy Ratios as at 31st March 2023 were 15.50% (2022 - 14.38%) and 16.58% (2022 - 15.38%) for Tier I Capital Ratio and Total Capital Ratio respectively.

Category	As at 31.03.2023	As at 31.03.2022
Tier I Capital (Rs. Mn)	**1,944.79**	1,971.3
Total Capital (Rs. Mn)	**2,079.71**	2,107.1
Total Risk Weighted Assets (Rs. Mn)	**12,543.82**	13,704.6

Category	As at 31.03.2023	As at 31.03.2022
Core Capital Ratio As at 31.03.2023 (Minimum 8.50%) As at 31.03.2022 (Minimum 7.00%)	**15.50%**	14.38%
Total Capital Adequacy Ratio As at 31.03.2023 (Minimum 12.50%) As at 31.03.2022 (Minimum 11.00%)	**16.58%**	15.38%

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

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

and

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

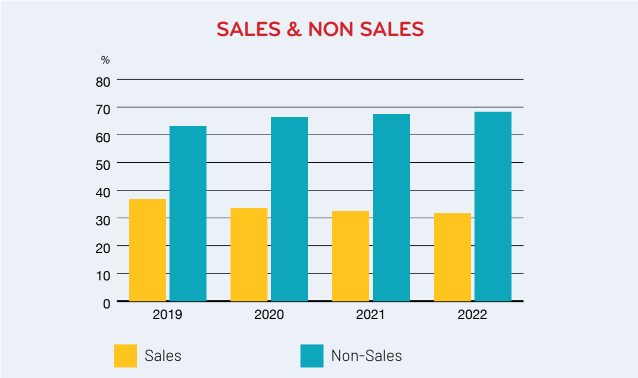
HUMAN RESOURCE RISK

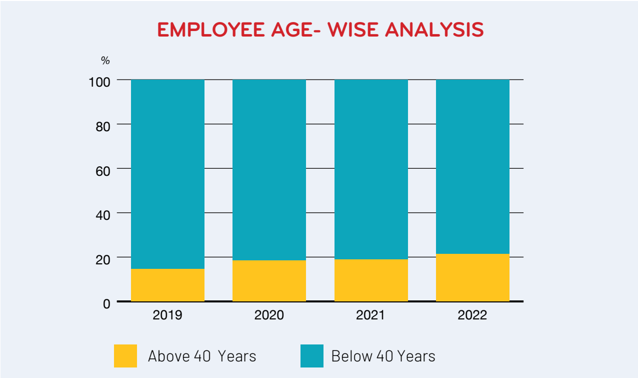
Being a service-oriented company, its main processes revolve around people. Therefore, people become the most important and the most valuable asset of the Company. The Company's ability to attract, develop and retain the right number of appropriately skilled people is critical if we are to compete and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

*Achievement of "Great Place to Work" Certification

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

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





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

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

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

REPUTATIONAL RISK

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

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE REPUTATIONAL RISK

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

TECHNOLOGY RISK

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

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

ACTIONS TAKEN BY THE COMPANY TO MANAGE THE TECHNOLOGY RISK

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

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

The Board of Directors of Orient Finance PLC have pleasure in presenting its the Annual Report on the state of affairs of the company to the shareholders of Orient Finance PLC for the Financial Year ended 31st March 2023 together with the audited financial statements of the Company and the Auditors' Report on those Financial Statements, conforming to all statutory requirements. The Audited Financial Statements reviewed and recommended by the Board Audit Committee were approved by the Board of Directors on 27th June 2023. The Annual Report of the Board of Directors on the Affairs of the Company was also approved by the Board of Directors on 27th June 2023. The details contained in this Report provide the relevant information as required by the Companies Act No.7 of 2007, Finance Business Act No. 42 of 2011, Finance Business Act Direction No.05 of 2021 on Corporate Governance and the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance.

This report was approved by the Board of Directors on 27th June 2023. The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Registrar of Companies, and the Securities and Exchange Commission of Sri Lanka within the statutory deadlines.

As per the requirements set-out in Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report for the year under review.

Information required to be disclosed	Reference the Companies Act	Extent of compliance by the Company
The nature of the business of the Company, together with any change thereof during the accounting period.	Section 168 (1)(a)	Refer page 144
Completed and signed Financial Statements of the Company for the accounting period completed.	Section 168 (1)(b)	Refer pages 144
Auditor's Report on Financial Statements of the Company.	Section 168 (1)(c)	Refer pages 145
Any changes made to the accounting policies during the year under review	Section 168 (1)(d)	Refer page 144
Particulars of the entries in the Interests Registers of the Company during the accounting period.	Section 168 (1)(e)	Refer page 146
Remuneration and other benefits paid to the Directors of the Company during the period.	Section 168 (1)(f)	Refer page 146
Total amount of donations made by the Company during the period.	Section 168 (1)(g)	Refer page 145
Information on Directorate of the Company during and at the end of the accounting period.	Section 168 (1)(h)	Refer pages 144
Separate disclosure on amounts payable by the Company to the Auditor as Audit Fees and fees for other services rendered during the accounting period.	Section 168 (1)(i)	Refer page 147
Auditors' relationship or any interest with the Company	Section 168 (1)(j)	Refer page 147
Acknowledgment of the contents of this report/signatures on behalf of the Board by two Directors and the Secretary of the Company	Section 168 (1)(k)	Refer page 147

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

LEGAL FORM

Orient Finance PLC (the Company) is a Public Limited Liability Company incorporated in Sri Lanka on 24 July 1981 under the Companies Ordinance No. 51 of 1938 and was re-registered on 27 July 2009 under the Companies Act No. 07 of 2007 bearing Registration No. PB 1079 PQ and a licensed Finance Company under the Finance Business Act No. 42 of 2011.

PRINCIPAL ACTIVITIES

The Company's principal business activities, which remained unchanged during the year 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 2022/23 is contained in the Chairman's Message, CEO's Review and Management Discussion and Analysis (pages 10, 14 and 28 to 50). These reports form an integral part of this Annual Report.

STATED CAPITAL

The Company's Stated Capital stood at Rs. 2,431,879,039 at 31st March 2023.

RESERVES

The Company's retained earnings and other reserves as at 31st March 2023 amount to Rs. 849,127,126.00. Movements of reserves and the break up are given in Statement of Changes in Equity on page 147.

SHAREHOLDING AND SHARE INFORMATION

The Company had 874 registered ordinary shareholders as at 31st March 2023. The distribution of shareholding and major shareholders are given on pages 209 to 210.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message (pages 10 to 13), the Chief Executive Officer's Review (pages 14 to 17), and Management Discussion and Analysis (pages 28 to 50).

FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and regulatory requirements inclusive of specific disclosures.

The aforementioned Financial Statements for the year ended 31st March 2023, duly signed by the Chief Financial Officer, Chief Executive Officer and two Directors of the Company are given on pages 136 to page 166. These Financial Statements form an integral part of this Annual Report of the Board of Directors.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 149 to 165.

There were no significant changes to the accounting policies used by the Company during the year under review in comparison to the previous year.

FINANCIAL PERFORMANCE

INTEREST INCOME

Total interest income of the Company for the year ended 31st March 2023 was Rs. 3,593,058,853.00 (Rs. 2,709,169,183.00 in 2022). An analysis of the interest income is given in Note 05 to the Financial Statements.

PROFIT AND APPROPRIATIONS

The Company has recorded a loss of Rs.72,045,612.00 after tax compared to the profit of Rs. 452,997,166.00 in the previous year. The Company's Total Comprehensive Expense (net of tax) for the year was Rs. 50,873,169.00 (Total Comprehensive Income for 2022: Rs. 444,949,325.00). A detailed breakup of the profits and appropriations of the Company is given below.

INCOME, PROFIT AND APPROPRIATIONS

Provided below is a summary of the financial results of the Company's operations during the year ended 31st March 2023.

	2023 (Rs. Mn)	2022 (Rs. Mn)
Income	3,820.22	2,972.20
Profit/(Loss) Before Taxation	(69.56)	452.99
Less: Income Tax (Expense)/Reversal	(2.48)	-
Profit/(Loss) for the Year	(72.04)	452.99
Transferred to Statutory Reserve Fund	-	(45.30)
Retained Profit Brought Forward from the Previous Year	383.14	(16.51)
Other Comprehensive Income Net of Tax	21.17	(8.04)
Retained Earnings carried forward	332.27	383.14

INDEPENDENT AUDITOR'S REPORT

The Auditors of the Company Messrs. BDO Partners, Chartered Accountants carried out the audit on the Financial Statements of the Company for the year ended 31st March 2023 and their report on the said Financial Statements is given on pages 140 to 143.

EVENTS AFTER BALANCE SHEET DATE

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

DIVIDENDS

The Board of Directors does not recommend a dividend to the shareholders for the financial year ended 31st March 2023.

CORPORATE DONATIONS

No Donations were paid during the year ended 31st March 2023 (2022- Rs. 4,943,385.83).

TAXATION

The Company is liable for income tax at the rate of 30%.

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 in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or the future operations of the Company.

GOING CONCERN

The Board of Directors has reviewed the Company's business plans for the ensuing year and is satisfied that the Company has adequate resources to continue its operation in the foreseeable future. Accordingly, the Financial Statements of the Company have been prepared based on the going concern concept.

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 of Directors of the Company comprises of eight Directors with proven experience in the fields of finance, law, marketing, human resources, sector specific and general business skills and with many years of experience in leading businesses. Their brief profiles are given on pages 54 to 57 of the Annual Report. The names of the Directors of the Company during the period 1 April, 2022 to 31st March, 2023 (held office as at the end of the financial year) including dates of appointment to the Board, are tabulated below in terms of Section 168(1)(h) of the Companies Act No. 07 of 2007. Further, the categorisation of Executive and Non-Executive, Independent and Non-Independent is given against their names as per Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka.

The followings were the Directors of the Company during the year

Mr. Rajendra Theagarajah
Chairman, Independent, Non-Executive Director

Mr. Prakash Anand Schaffter
Non-Independent, Non-Executive Director

Ms. Minette. D.A. Perera
Non-Independent - Non-Executive Director

Ms. Indrani Goonesekera
Independent Non-Executive Director

Mr. Sriyan Cooray
Independent Non-Executive Director

Mr. Darshana Joseph Ratnayake
Independent Non-Executive Director

Mr. K.M.M. Jabir
Executive Director

Mr. Nalin Brian Karunaratne
Independent Non-Executive Director

The profiles of the Directors are given in pages 54 to 57 of the Annual Report.

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

RETIREMENT/ CESSATION AND NEW APPOINTMENT OF DIRECTORS

Mr. Rajendra Theagarajah was appointed to the Board in the capacity of Independent Non-Executive Director of the Company w.e.f. 28th April 2022.

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

	No. of Shares	
Name of the Director	**31st March 2023**	31st March 2022
Mr. Rajendra Theagarajah	**Nil**	Nil
Mr. Prakash Schaffter	**10**	10
Ms. Minette. D.A. Perera	**Nil**	Nil
Ms. Indrani Goonesekara	**Nil**	Nil
Mr. Sriyan Cooray	**Nil**	Nil
Mr. Darshana Joseph Ratnayake	**Nil**	Nil
Mr. K.M.M. Jabir	**Nil**	Nil
Mr. Nalin B. Karunaratne	**Nil**	Nil

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

RELATED PARTY TRANSACTIONS

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

The Directors have disclosed the transactions, if any, that could be classified as related party transactions in terms of Sri Lanka Accounting Standard 24, Related Party Disclosures, which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 38 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

The Directors of the Company are committed to maintaining an effective Corporate Governance Framework by implementing processes required to ensure that the Company is compliant with the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Finance Business Act Direction No.05 of 2021 and subsequent amendments thereto issued by the CBSL and Requirements of Section 7.6 of the Listing Rules of the Colombo Stock Exchange. Details are given on Corporate Governance Report on pages 91 to 94 of this Annual Report.

Further the Board of Directors confirm that the Company is compliant with prudential requirements, regulations, laws and internal controls while measures have been taken to rectify any material non-compliances.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board of Directors confirm that the Company is Compliant with prudential requirements, regulations, Laws and internal controls while measures have been taken to rectify any material non-compliances.

EQUITABLE TREATMENT FOR STAKEHOLDERS

The Directors declare that the Company has made all endevours to ensure fair treatment for all stakeholders including Shareholders and Depositors.

RISK AND INTERNAL CONTROLS

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

The Directors, on a regular basis, review the above-mentioned process through the Board Integrated Risk Management Committee.

Further, the Board of Directors ensures that an effective and robust internal control procedure is in place to safeguard the Company's assets, and the Board Audit Committee reviews the adequacy and the integrity of the internal control systems relating to compliance and risk management, and the Board has issued a Statement on the Internal Controls for Financial Reporting and an Assurance Report from External Auditors in terms of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 has also been obtained.

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 2023 was 492 (31st March 2022 – 495).

AUDITORS

The Company's Auditors during the period under review were, M/s BDO Partners, (Chartered Accountants). The Board has authorised the payment of Rs. 1,841,209.00 as Audit Fees for the year 2022/23. (The Auditors were paid Rs. 1,783,694.00 as Audit Fees for the year 2021/22).

The retiring Auditors, M/s BDO Partners, have expressed their willingness to continue in office for the financial year 2023/24. A resolution to re-appoint, M/s BDO Partners, (Chartered Accountants), and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting to be held 29th August 2023.

ANNUAL GENERAL MEETING

The Annual General Meeting to be held on 29th August 2023. The notice of the meeting relating to the fortieth Annual General Meeting is given on page 217.

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:

Mr. Rajendra Theagarajah
Chairman
27th June 2023

Mr. P.A. Schaffter
Director
27th June 2023

Janashakthi Corporate Services Limited
Company Secretaries
27th June 2023

BOARD AUDIT COMMITTEE REPORT

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

COMPOSITION OF THE COMMITTEE

The Audit Committee has been appointed by the Board of Directors of the company. As at 31st March 2023 it comprised of the following Directors:

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

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

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

The profiles of the members are given on pages 54 to 57 in this Annual Report.

The company secretary 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. 5 of 2021, on "Corporate Governance" 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 seven meetings during the year under review. Chief Executive Officer, Chief Internal Auditor, Chief Financial Officer and AGM- Risk & Compliance attended the meetings by invitation. The Committee also invited members of the Senior Management of the Company to participate in the meetings from time to time based on necessity.

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

The attendance of members is listed on page 94 of the Annual Report.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The duties of the Committee shall be to assist the Board in overseeing the management conduct of the Company's financial reporting process, monitoring the independence and performance of external auditors, monitoring internal controls & internal audit function, compliance with laws regulations & directions of CBSL and other regulators and formulating policies and procedures of the Company.

FINANCIAL REPORTING SYSTEM

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

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

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

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

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

The Audit Committee also recommended to the Board of Directors that Messrs. BDO Partners be reappointed as Auditors for the financial year ending 31st March 2024, subject to the approval of the shareholders at the Annual General Meeting.

On behalf of the Board Audit Committee

Ms. Minette Perera
Chairperson
Board Audit Committee

27th June 2023

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

COMPOSITION

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

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

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

Mr. Darshana Ratnayake - Independent Non-Executive Director (ceased to be a member w.e.f. 24th May 2022 with the re-constitution of the Committee)

Mr. Nalin B. Karunarathne - Member - Independent Non-Executive Director (appointed w.e.f. 24th May 2022 with the re-constitution of the Committee)

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 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 Business Act Direction No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka, considering the Section 9 of the Listing Rules stipulated by Colombo Stock Exchange 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 and adequate transparency is maintained and also, the committee ensures that all related party transactions are in compliance with the company's policy and applicable laws, directions, rules and best practice.

SCOPE OF THE COMMITTEE

Scope of the Committee includes:

- To manage relationships with related parties to uphold good governance and the best interests of the Company
- To provide an independent review, approval and oversight of Related Party Transactions (RPTs) (except those expressly exempted by the Charter) on terms set forth in greater detail in the Policy
- To review the Charter and Policy annually and recommend amendments to the Charter and the Policy to the Board as and when determined to be appropriate by the Committee.
- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- Establishing guidelines in respect of Recurrent Related Party Transactions, for Senior Management to follow in its ongoing dealings with the relevant related parties
- Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee
- Ensuring that immediate market disclosures and disclosures in the Annual Report are made in a timely and detailed manner as required by the applicable rules/ regulations.

ACTIVITIES DURING THE YEAR

The Committee reviewed the related party transactions entered into with related parties of the Company during the year under review. The Committee also reviewed the performance of RPT's already entered prior to the year under review and those that existed. Where relevant, the Committee's comments/ observations were communicated to the Board. Details of related party transactions are disclosed under Note 38 on page 193 of the Financial Statements.

COMMITTEE MEETINGS

The Committee met once in every calendar quarter and accordingly held four (04) meetings during the year under review. Attendance of the members at each of these meetings is given in the table on page 94 of this 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 properly documented and were also tabled at the monthly Board meetings and recorded.

On behalf of the Board Related Party Transactions Review Committee,

Ms. Indrani Goonesekera
Chairperson
Related Party Transactions Review Committee

27th June 2023

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of the Company has established the Board Integrated Risk Management Committee (BIRMC), conforming to the CBSL Direction on Corporate Governance, to assess and oversee the management of all risks within the Company. The ultimate responsibility for managing the risks of the Company remains with the Board of Directors. Reporting to the Board, the BIRMC acts within the scope provided in the Terms of Reference of BIRMC, which has been approved by the Board. The function of the BIRMC is primarily one of oversight. Working closely with the top management, the BIRMC assess all risks faced by the Company and makes recommendations for improvements to the risk management, mitigation and controls.

COMPOSITION

The Board Integrated Risk Management Committee comprised the following members:

Mr. Rajendra Theagarajah * - Chairman - Independent Non-Executive Director

Mr. K.M.M. Jabir ** - Member - Executive Director

Ms. Indrani Goonesekera - Member - Independent Non-Executive Director

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

The Head of Risk & Compliance function as the Secretary to the Integrated Risk Management Committee.

* Mr. Rajendra Theagarajah was appointed as a member and the Chairman of the Board Integrated Risk Management Committee with effect from 24th May 2022

** Mr. K.M.M. Jabir stepped down as a member of the Board Integrated Risk Management Committee with effect from 24th May 2022, in order to comply with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance.

TERMS OF REFERENCE OF THE COMMITTEE

The Board Integrated Risk Management Committee was established by the Board of Directors in compliance with CBSL Direction on "Corporate Governance for Finance Companies" issued by the Monetary Board of the Central Bank of Sri Lanka, issued under the Finance Business Act. The composition and the scope of work of the Committee is in conformity with provisions of the said Direction. Terms of Reference of BIRMC sets out the membership, sources of authority, duties and the responsibilities of the Committee. Terms of Reference of the BIRMC has been approved by the Board of Directors and is subject to annual review.

COMMITTEE METHODOLOGY

The BIRMC 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 risk etc. through different risk indicators and management information and assessed the adequacy of risk management procedures in place and made recommendations for improvement of risk management processes.

ACTIVITIES OF THE COMMITTEE

In terms of the Board approved Terms of Reference of BIRMC, the scope, and primary responsibilities of the BIRMC include:

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

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

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

ACTIVITIES OF THE BIRMC IN FY 2022/23

- Reviewed the business strategy of the Company in the light of the developments in the economy;
- 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 impact of risks to the Company, including credit, market, liquidity, operational, strategic, compliance and technology and make recommendations on the risk strategies and the risk appetite to the Board.
- 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 Company's risk appetite against the tolerable Risk Appetite including individual and aggregate level and types of risk that the company will accept, or avoid in order to achieve its strategic business objectives
- Approved the Internal Capital Adequacy Assessment Process (ICAAP) to determine the level of capital that the Company shall maintain against all risks and ensure that capital is adequate to support possible shocks that may arise
- Reviewed the updated risk register which was submitted to the BIRMC on a quarterly basis and submitted a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions
- Assessed the business lines and their impact on the organisation's operational effectiveness.
- Reviewed the effectiveness of the strategies in place to minimise the liquidity risk arising from maturity mismatches.
- Reviewed the operational and legal risks faced by the Company and assessed the effectiveness and sufficiency of mitigation actions initiated.
- Reviewed the Statutory Examination Report of the Department of Supervision of Non-Bank Financial Institutions of CBSL and reviewed and recommended action to respond to the observations raised therein within the agreed timeliness.

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

COMMITTEE MEETINGS

The Committee held four (04) 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 94 of the Annual Report. The Minutes of the BIRMC Meetings and its recommendations were forwarded to the Board after each meeting.

On behalf of the Board Integrated Risk Management Committee,

Mr. Rajendra Theagarajah
Chairman
Board Integrated Risk Management Committee

27th June 2023

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Board Human Resource and Remuneration Committee (the Committee) has been appointed by the Board of Directors of Orient Finance PLC (the Company). The Committee operates within the agreed Terms of Reference and is committed to the principles of accountability and transparency and improving the well-being of the employees. The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

COMPOSITION

The Human Resources and Remuneration Committee comprised 04 Non-Executive Directors as set out below:

Mr. Rajendra Theagarajah - Chairman (Independent Non-Executive Director) - Appointed as the Chairman of the Committee with effect from 24th May 2022 with the re-constitution of the Committee.

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

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

Mr. Nalin Karunaratne - Member (Independent Non-Executive Director) - Appointed w.e.f. 24th May 2022 with the re-constitution of the Committee.

Ms. Indrani Goonesekera - (Independent Non-Executive Director) - Chairperson of the Committee up to 23rd May 2022 and ceased to be a member w.e.f. 24th May 2022 with the re-constitution of the Committee.

Brief profiles of the Members are given on pages 54 to 57 of the Annual Report, and the Company Secretaries function as the Secretary to the Committee.

TERMS OF REFERENCE

The Human Resources and Remuneration Committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration is structured at the company 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. The role and functions of the Committee are regulated by the relevant statutes.

FUNCTIONS

The Committee continues to uphold the principles of accountability and transparency and ensures that the HR and Remuneration Policy demonstrates a clear link between reward and performance. The Committee reviews all significant strategic policies and initiatives relating to human resources.

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 reviews the remuneration structure periodically and evaluates it against industry norms to warrant fairness and internal and external equity.

REMUNERATION POLICY

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

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

FEES AND REMUNERATION

Aggregate remuneration paid to Non-executive Directors and Executive Directors is disclosed in note 11 to the financial statements on page 169 as per the requirements of section 16 (1)(iv) of the Finance Business Act Direction No. 5 of 2021 issued under the Finance Business Act No. 42 of 2011.

PROFESSIONAL ADVICE

The Committee has the authority to seek appropriate professional advice in-house and externally as and when it considers necessary.

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

COMMITTEE MEETINGS

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

During the year, the Committee held four (04) meetings, and the attendance of the Committee Members at these meetings is given in the table on page 94 of the Annual Report.

The Chief Executive Officer (CEO) along with Manager – Human Resources and the other members of the Corporate Management team attend meetings by invitation on a need basis and assist in the Committee's deliberations by providing relevant information except when their own compensation packages or other matters relating to them are reviewed.

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

On behalf of the Board Human Resources and Remuneration Committee.

Rajendra Theagarajah
Chairman
Human Resources and Remuneration Committee

27th June 2023

NOMINATION COMMITTEE REPORT

The Board Nomination Committee (the Committee) is appointed by the Board of Directors of Orient Finance PLC (the Company) to which it is responsible. The Committee operates within the agreed Terms of Reference and work closely with the Board in reviewing the structure and skills needed in a successful organisation. The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

COMPOSITION

The Board Nomination Committee comprised 03 Non-Executive Directors as set out below:

Mr. Darshana Ratnayake – Chairman
(Independent Non-Executive Director

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

Ms. Minette Perera – Member
(Non-Independent Non-Executive Director) - Appointed w.e.f. 24th May 2022 with the re-constitution of the Committee.

Ms. Indrani Goonesekera - (Independent Non-Executive Director) - Member of the Committee up to 23rd May 2022 and ceased to be a member w.e.f. 24th May 2022 with the re-constitution of the Committee.

Brief profiles of the Members are given on pages 54 to 57 of the Annual Report, and the Company Secretaries function as the Secretary to the Committee.

ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on the following matters:

- Ensuring the board approved process is followed for the appointment and re-election of Directors to the Board (The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Corporate Management Personnel).
- Regular review of the skills, competency and experience of the Board and Key Management positions to ensure that adequate expertise is available at the Corporate Management Level.
- Ensuring that Board and Key Management are fit and proper persons to hold office as required by the Central Bank of Sri Lanka.
- Regular Review of the succession plan for the Board and Key Management Positions with a view of providing recommendations and advice to the Board regarding such appointments.
- No member of the Nomination Committee participates in deliberations relating to his or her own appointment.

PROFESSIONAL ADVICE

The Committee has the authority to seek appropriate professional advice, in-house and externally, as, and when it is considered necessary.

MEETINGS

During the year, the Committee held one (01) meetings and the attendance of the Committee Members at these meetings is given in the table on page 94 of the Annual Report. The CEO attends meetings of the Committee by invitation except when matters relating to him are reviewed.

REPORTING TO THE BOARD

The minutes of the Committee meetings are tabled at Board meetings, enabling all Board Members to have access to them.

On behalf of the Board Nomination Committee.

Darshana Ratnayake
Chairman
Board Nomination Committee

27th June 2023

CAT – NEKO

THE CAT IS A POWERFUL SYMBOL OF INDEPENDENCE, BALANCE, AND ENIGMA. IT REPRESENTS WISDOM AND EXUDES STRENGTH AS A SELF-ASSURED PROTECTOR. SIMILARLY, ORIENT FINANCE PLC HAS DEMONSTRATED ITS COMMITMENT TO PRIORITISING STAKEHOLDERS OVER ECONOMIC INTERESTS, RESULTING IN REMARKABLE FINANCIAL AND OPERATIONAL ACHIEVEMENTS. LEVERAGING ITS FIRST MOVER ADVANTAGE, THE COMPANY HAS ESTABLISHED A STRONG FOOTHOLD IN THE MARKET.

FINANCIAL Statements

DIRECTORS' STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors ("the Board") of Orient Finance PLC (the Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board" is responsible for the adequacy and effectiveness of the Company's system of Internal Controls. Such a system is designed to manage the Company's key areas of risk within an acceptable risk profile in achieving the policies and business objectives of the Company, rather than eliminating the risk of failure. Accordingly, the System of Internal Controls can only provide reasonable, but not absolute, assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the System of Internal Controls as and when there are changes to the business environment or regulatory guidelines. 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.

Board policies and procedures pertaining to internal control over financial reporting have been documented. The Management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. In order to assess the internal control system over financial reporting, identified officers of the company collate all procedures and control that are connected with significant accounts and disclosures of the Financial Statement of the Company and observe and checks them annually for suitability of design and operating effectiveness. The Internal Audit Department of the Company reviews the Company's compliance with policies and procedures and the suitability of design and operating effectiveness of the internal control systems on an ongoing basis. The annual audit plan is reviewed and approved by the Board Audit Committee, and major findings of the internal audit are submitted to the Audit Committee for review at their periodic meetings.

KEY FEATURES OF THE PROCESS ADOPTED IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the System of Internal Controls with regard to financial reporting include the following:

- Establishment of various sub-committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- Policies are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies are reviewed periodically and approved by Board.
- The Internal Audit Department of the company verifies whether the policies and procedures of the Company are being complied with, while ascertaining the effectiveness of the internal control mechanism, on an ongoing basis during their regular reviews. A risk-based auditing approach is adopted by the Company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Initiatives have been taken by Internal Audit Department to apply data analytics to review large volumes of transactions in a systematic manner and to enhance real time monitoring. Independent and objective reports covering significant observations of the Internal Audit Department are also tabled for review by the Board Audit Committee, at their periodic meetings.
- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit Committee.
- Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit Committee through the review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management.
- In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are being continuously reviewed and updated by the identified officers of the Company. The Internal Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.

- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

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 the financial reporting system is in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

EXTERNAL AUDITORS' CERTIFICATION

The external Auditors, Messrs. BDO Partners, have reviewed the above Directors' statement on Internal Control over Financial Reporting included in this Annual Report of the Company for the year ended 31st March 2023 and reported to the board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal Controls over Financial Reporting of the Company. Their report on the statement of Internal Control over Financial Reporting is given on page 136 of this Annual Report.

By order of the Board;

Mr. Rajendra Theagarajah
Chairman

Ms. Minette Perera
Chairperson
Audit Committee

27th June 2023

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS

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Colombo 02
Sri Lanka

TO THE BOARD OF DIRECTORS OF ORIENT FINANCE PLC

REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

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 2023.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1)(ix) of Finance Companies Corporate Governance Direction No. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by of for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants in Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statements on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

SUMMARY OF WORK PERFORMED

We conducted our engagement 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.

The procedures performed were limited primarily to inquiries of the company personnel and existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 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 3051 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.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the event or transaction in respect of which the Statement has been prepared.

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

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
27th June 2023
HSR/cc

DIRECTORS' RESPONSIBILITY STATEMENT

This Statement of Directors' Responsibilities is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements of the Company for the year ended 31st March 2023.

The Directors are required by the Companies Act No. 07 of 2007 to prepare Financial Statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year. The Directors are also responsible to ensure that the financial statements are prepared and presented in compliance with the required standards and any other requirements, which apply, to the Company's financial statements under any other law. The financial statements comprise of the statement of financial position as at 31st March 2023, income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended together with notes thereto. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Auditors' Report in pages 140 to 143 of the Annual Report.

The Directors confirm that the Financial Statements of the Company for the year ended 31st March 2023 have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the regulations and directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future and have applied the going concern basis in the preparation of these financial statements.

The Directors have taken all reasonable steps expected from them to safeguard the assets of the Company and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The Directors have also taken all reasonable steps to ensure that the Company maintains adequate and accurate accounting books of records, which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position and also 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 are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and all contributions, levies and taxes payable on behalf of the employees of the Company, and all other known statutory obligations as at the balance sheet date have been paid or provided for in the Financial Statements, and also confirm that they have discharged their responsibilities as stated in this statement.

Janashakthi Corporate Services Limited
Company Secretaries
27th June 2023

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF ORIENT FINANCE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Orient Finance PLC ("the company"), which comprise the statement of financial position as at 31st March 2023, 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 149 to 203.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31st March 2023, 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. 13.98 billion as at 31st March 2023 (2022: Rs. 15.06 billion) and impairment allowance for the year amounts to Rs. 1,040 million at 31st March 2023 (2022: Rs. 936 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)
- 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
- Estimate the timing of the future cash flows

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

- the probable impacts of prevailing macroeconomic conditions 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 stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances
- forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impact from prevailing macroeconomic conditions that may affect future expected credit losses

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

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

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our procedures included the following:

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

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

For loans and receivables collectively assessed for impairment:

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

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.
- we evaluated the reasonableness of the provisions made with particular focus on the prevailing macroeconomic conditions on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 2023 and because the directors' assessment of impairment involves significant judgment.

Goodwill and brand value were recognised 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 2023.

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 2023.

Our work included the following procedures:

- We evaluated management's competence and level of skills required in developing assumptions, gathering accurate data and performing assessments.
- We assessed the validity of management's use of appropriate methods in assessing the impairment for goodwill and brand value.
- We challenged the key inputs and assumptions the company has used in assessing the impairment, considering the prevailing macroeconomic conditions 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 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.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact, we have nothing to report in this regard.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as it 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 4324.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo
27th June 2023
HSR/dm

INCOME STATEMENT

For the year ended 31st March	Note	2023 Rs.	2022 Rs.
Income	4	**3,820,227,393**	2,972,208,857
Interest income	5	**3,593,058,853**	2,709,169,183
Interest expenses	6	**(2,600,022,595)**	(1,159,466,921)
Net interest income		**993,036,258**	1,549,702,262
Fee and commission income	7	**105,891,972**	102,104,674
Other operating income	8	**121,276,568**	160,935,000
Total operating income		**1,220,204,798**	1,812,741,936
Impairment charges for loans and receivables to customers	9	**(103,023,791)**	(124,539,825)
Net operating income		**1,117,181,007**	1,688,202,111
Operating expenses			
Personnel expenses	10	**(620,552,380)**	(605,009,612)
Depreciation and amortisation		**(117,865,289)**	(81,232,809)
Other operating expenses	11	**(401,717,744)**	(399,197,920)
Operating profit/(loss) before Value Added Tax		**(22,954,406)**	602,761,770
Value Added Tax on financial services		**(46,611,266)**	(149,764,604)
Profit/(loss) before income tax		**(69,565,672)**	452,997,166
Income tax expense	12	**(2,479,940)**	-
Profit/(loss) for the year		**(72,045,612)**	452,997,166
Basic earnings per share (Rs.)	13.1	**(0.34)**	2.15
Dividend per share (Rs.)	14	**-**	-

Figures in brackets indicate deductions.

The accounting policies and notes on pages 149 to 203 form an integral part of these financial statements.

Colombo
27th June 2023

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	2023 Rs.	2022 Rs.
Profit/(loss) for the year		**(72,045,612)**	452,997,166
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Fair value gain/(loss) on investment in quoted shares		**19,193,999**	(12,019,740)
		19,193,999	(12,019,740)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain on retirement benefit plan	32.1	**1,521,880**	3,203,144
Deferred tax effect on above	22	**456,564**	768,755
		1,978,444	3,971,899
Other comprehensive income for the year net of tax		**21,172,443**	(8,047,841)
Total comprehensive income for the year net of tax		**(50,873,169)**	444,949,325

Figures in brackets indicate deductions.

The accounting policies and notes on pages 149 to 203 form an integral part of these financial statements.

Colombo
27th June 2023

STATEMENT OF FINANCIAL POSITION

As At 31st March	Note	2023 Rs.	2022 Rs.
ASSETS			
Cash and cash equivalents	16	**307,893,891**	296,439,735
Financial assets - fair value through other comprehensive income	17	**1,262,913,731**	725,704,749
Loans and receivables to customers	18	**12,941,011,251**	14,125,811,999
Investments with banks and other financial institutions	19	**236,013,310**	242,460,738
Other assets	20	**657,440,798**	255,411,954
Real estate stock	21	**10,656,618**	9,338,093
Deferred tax asset	22	**369,577,434**	371,600,809
Goodwill	23	**564,545,746**	564,545,746
Brand value	23	**235,880,000**	235,880,000
Other intangible assets	24	**25,097,945**	37,899,935
Property, plant and equipment	25	**70,733,416**	84,505,805
Right-of-use of assets	26	**96,792,682**	115,496,074
Investment properties	27	**690,316,465**	662,150,002
Total assets		**17,468,873,287**	17,727,245,639
LIABILITIES			
Due to banks - bank overdrafts	16	**240,846,238**	680,571,641
Deposits from customers	28	**10,759,498,577**	9,204,263,013
Interest bearing borrowings	29	**2,606,632,095**	3,874,859,251
Lease liability - Right-of-use assets	30	**46,222,825**	76,660,167
Other liabilities	31	**482,218,634**	514,908,252
Retirement benefits obligation	32	**52,448,752**	44,103,980
Total liabilities		**14,187,867,121**	14,395,366,304
EQUITY			
Stated capital	33	**2,431,879,039**	2,431,879,039
Statutory reserve fund	34	**375,736,747**	375,736,747
Revaluation reserve	35	**141,120,773**	141,120,773
Retained earnings		**332,269,607**	383,142,776
Total equity		**3,281,006,166**	3,331,879,335
Total equity and liabilities		**17,468,873,287**	17,727,245,639
Net assets per share		**15.54**	15.78

Figures in brackets indicate deductions.

The accounting policies and notes on pages 149 to 203 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.

Manjula Thennakoon
Chief Financial Officer

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

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

Approved and signed for and on behalf of the Board.

Rajendra Theagarajah
Chairman

Prakash Schaffter
Director

Colombo
27th June 2023
HSR/dm

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2023	Stated capital	Statutory reserve fund	Revaluation reserve	Retained earnings/ (accumulated losses)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2021	2,431,879,039	330,437,030	141,120,773	(16,506,832)	2,886,930,010
Profit for the year	-	-	-	452,997,166	452,997,166
Transfer to statutory reserve (Note 34)	-	45,299,717	-	(45,299,717)	-
Other comprehensive income net of taxes	-	-	-	(8,047,841)	(8,047,841)
Balance as at 31st March 2022	2,431,879,039	375,736,747	141,120,773	383,142,776	3,331,879,335
Loss for the year	-	-	-	(72,045,612)	(72,045,612)
Other comprehensive income net of taxes	-	-	-	21,172,443	21,172,443
Balance as at 31st March 2023	2,431,879,039	375,736,747	141,120,773	332,269,607	3,281,006,166

Figures in brackets indicate deductions.

The accounting policies and notes on pages 149 to 203 form an integral part of these financial statements.

Colombo
27th June 2023

STATEMENT OF CASH FLOWS

For the year ended 31st March	2023 Rs.	2022 Rs.
Cash flows from operating activities		
Profit/(loss) before income tax	(69,565,672)	452,997,166
Adjustment for:		
Depreciation and amortisation	117,865,289	81,232,809
Profit on disposal of property, plant and equipment	(1,017)	(483,465)
Property, plant and equipment write off	-	3,197,024
Impairment charges for loans and receivables to customers	103,023,791	124,539,825
Impairment provision on real estate receivable	-	16,277,733
Finance expenses	2,600,022,595	1,159,466,921
Fair value gain on investment properties	(41,250,002)	(10,650,000)
Investment income	(218,411,364)	(69,006,866)
Provision for gratuity	14,355,236	9,182,059
Operating profit before working capital changes	2,506,038,856	1,766,753,206
Change in loans and receivables to customers	1,081,776,957	(2,803,321,484)
Change in other assets	(402,028,844)	14,337,774
Change in deposits from customers	1,215,290,906	534,878,008
Change in other liabilities	(32,689,618)	80,021,285
	4,368,388,257	(407,331,211)
Rent paid	(79,099,385)	(73,674,667)
Interest paid	(1,337,431,605)	(826,252,882)
Gratuity paid	(4,488,584)	(1,679,673)
Net cash from/(used in) operating activities	2,947,368,683	(1,308,938,433)
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(50,527,364)	(58,431,303)
Proceeds from sale of property, plant and equipment	113,350	525,669
Proceeds from sale of investment property	21,500,000	-
Expenses incurred for real estate stock	(1,318,525)	(851,308)
Net change in financial assets - FVTOCI	(518,014,983)	111,908,325
Net change in investments with bank and other financial institutions	7,177,152	(205,664,740)
Investment income received	15,737,151	40,589,824
Net cash generated used in investing activities	(525,333,219)	(111,923,533)
Cash flows from financing activities		
Interest bearing borrowings obtained	682,934,628	6,966,523,171
Repayment of interest bearing borrowings	(1,826,049,192)	(5,697,482,046)
Interest paid on borrowings	(827,741,341)	(378,292,116)
Net cash from/(used in) financing activities	(1,970,855,905)	890,749,009
Net change in cash and cash equivalents	451,179,559	(530,112,957)
Cash and cash equivalents at the beginning of the year	(384,131,906)	145,981,051
Cash and cash equivalents at the end of the year (Note A)	67,047,653	(384,131,906)
Analysis of cash and cash equivalents at the end of the year		
Cash in hand	222,627,839	230,339,894
Cash at bank	85,266,052	66,099,841
Bank overdrafts - secured	(240,846,238)	(680,571,641)
	67,047,653	(384,131,906)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 149 to 203 form an integral part of these financial statements.

Colombo
27th June 2023

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

1.1 CORPORATE INFORMATION

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

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

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

1.3 PARENT ENTITY AND ULTIMATE PARENT ENTITY

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

1.4 DIRECTORS' RESPONSIBILITY STATEMENT

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

1.5 DATE OF AUTHORISATION

The financial statements of the company for the year ended 31st March 2023 were authorised for issue by the Board of Directors on 27th June 2023.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The statement of financial position as at 31st March 2023, the 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 benefits obligation	Liability is recognised as the present value of the retirement benefits obligation plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses.
Investment property: Land and Buildings	Fair value

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 PRESENTATION OF FINANCIAL STATEMENTS

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

2.5 MATERIALITY AND AGGREGATION

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

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

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 as 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 of the economic crises on the business operations and performance of the company and the measures adopted by the government to mitigate the economic crises and support recovery of the economy. The Board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.8 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

2.8.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

2.8.2 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

2.8.3 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

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

2.8.4 IMPAIRMENT OF GOODWILL AND BRAND

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

2.8.5 DEFINED BENEFIT OBLIGATIONS

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

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

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the 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 Note 3.4.4 to the financial statements.

2.8.7 SLFRS 16 – LEASES

2.8.7.1 DETERMINATION OF THE LEASE TERM FOR LEASE CONTRACTS WITH RENEWAL AND TERMINATION OPTIONS (COMPANY AS A LESSEE)

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

2.8.7.2 ESTIMATING THE INCREMENTAL BORROWING RATE

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

2.8.8 IMPACT OF PREVAILING MACROECONOMIC CONDITIONS

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

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

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

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

2.9 CHANGES IN ACCOUNTING POLICIES

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

2.10 CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

The company applied certain standards and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2022.

2.10.1 AMENDMENTS TO SLFRS 16 COVID-19 RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021

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

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession in the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The company has applied practical expedients for Covid-19 related rent concessions which have been extended up to March 2023.

2.10.2 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

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

Accounting Standard	Description	Effective Date
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.	01st January 2023
Amendments to LKAS 1	Classification of liabilities as current or non-current	01st January 2023
Amendments to LKAS 1 and SLFRS Practice Statement 2	Disclosure of accounting policies	01st January 2023
Amendments to LKAS 8	Definition of accounting estimates	01st January 2023
Amendments to SLFRS 16	Lease liability in a sale and leased back	01st January 2024

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

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 derecognised.

3.1.3 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

The subsequent measurement of financial assets depends on their classification.

3.1.3.1 BUSINESS MODEL ASSESSMENT

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

The information considered includes:

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

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

3.1.3.2 ASSESSMENT OF WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY THE 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 the 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 the 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 the 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 the following.

- 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
- 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
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely the 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 Note 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 resell the asset (or a similar asset) at a fixed price on a future date (reverse repo), the agreement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

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

3.1.3.3.3 CASH AND CASH EQUIVALENTS

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

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

3.1.3.3.4 INVESTMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

3.1.3.4 FINANCIAL ASSETS MEASURED AT FVTOCI

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

3.1.3.4.1 DEBT INSTRUMENTS MEASURED AT FVTOCI

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

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

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

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

3.1.3.4.2 EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

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

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

3.1.4 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

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

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

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

3.1.4.2 FINANCIAL LIABILITIES AT AMORTISED COST

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

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

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

3.1.5 RECLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

3.1.5.1 MEASUREMENT OF RECLASSIFICATION OF FINANCIAL ASSETS

3.1.5.1.1 RECLASSIFICATION OF FINANCIAL INSTRUMENTS AT 'FAIR VALUE THROUGH PROFIT OR LOSS'

- To Fair value through other comprehensive income

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

- To Amortised Cost

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

3.1.5.1.2 RECLASSIFICATION OF FINANCIAL INSTRUMENTS AT 'FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME'

- To Fair value through profit or loss

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

- To Amortised Cost

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

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

3.1.5.1.3 RECLASSIFICATION OF FINANCIAL INSTRUMENTS AT "AMORTISED COST"

- To Fair value through other comprehensive income

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

- To Fair value through profit or loss

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

3.1.6 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

3.1.6.1 FINANCIAL ASSETS

The company derecognises 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 derecognises 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 derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

3.1.8 OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

3.1.9 AMORTISED COST AND GROSS CARRYING AMOUNT

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

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

3.1.10 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

3.1.11 IDENTIFICATION AND MEASUREMENT OF IMPAIRMENT OF FINANCIAL ASSETS

3.1.11.1 OVERVIEW OF THE ECL PRINCIPLES

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

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

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

The key judgments 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 the quantitative and qualitative information analysis, based on the company's historical experience and expert credit assessment including forward looking information.

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

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

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

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The company regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying a 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 120 days past due on its contractual payments.

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

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

3.1.11.4 MOVEMENT BETWEEN THE STAGES

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

3.1.11.5 GROUPING FINANCIAL ASSETS MEASURED ON COLLECTIVE BASIS

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

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

3.1.11.6 THE CALCULATION OF EXPECTED CREDIT LOSS PRINCIPLE (ECL)

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

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

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

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

FORWARD-LOOKING INFORMATION

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

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

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

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

COVID - 19 IMPACT ON LOANS AND ADVANCES

The company has provided relief such as deferment of repayment terms of credit facilities for the affected businesses and individuals due to COVID-19 in line with the directions issued by the CBSL. Utilisation of a payment deferral program does not, all else being equal, automatically trigger a SICR. As such, key issue will be to distinguish between the 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 judgments 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 ECL parameters such as PDs and LGDs to reflect the real economic scenario that is not reflected due to the deferrals and concessions granted due to COVID-19. Early observations of payment behavior of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

3.1.12 WRITE-OFF OF LOANS AND ADVANCES

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

3.2 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the 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 the 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 the recent arm's length transactions between the 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 the 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 the valuation techniques in which the current market transactions or observable market data are not available. Their fair value is determined by using the 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 realisable value.

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

3.4 PROPERTY, PLANT AND EQUIPMENT

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

3.4.1 RECOGNITION

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

3.4.2 MEASUREMENT

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

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

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

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

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

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

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

3.4.3 SUBSEQUENT EXPENDITURE

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

3.4.4 DEPRECIATION

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

The estimated useful lives are as follows:

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

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

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

3.5 INVESTMENT PROPERTIES

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

3.6 LEASES

3.6.1 RIGHT-OF-USE ASSETS – COMPANY AS A LESSEE

A) BASIS OF RECOGNITION

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

B) BASIS OF MEASUREMENT

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

C) DEPRECIATION

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

3.6.2 LEASE LIABILITY

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

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

3.6.3 OPERATING LEASES – COMPANY AS A LESSOR

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

3.7 INTANGIBLE ASSETS

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

3.7.1 INTANGIBLE ASSETS WITH FINITE LIVES AND AMORTISATION

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

3.7.1.1 COMPUTER SOFTWARE

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

3.7.2 INTANGIBLE ASSETS WITH INDEFINITE LIVES AND AMORTISATION

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

3.7.2.1 BRAND VALUE

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

3.7.3 DERECOGNITION OF INTANGIBLE ASSETS

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

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

3.8.1 RECOGNITION

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

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

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

3.8.2 CALCULATION OF RECOVERABLE AMOUNT

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

3.8.3 REVERSAL OF IMPAIRMENT

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

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

3.9 DEPOSITS DUE TO CUSTOMERS

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

3.10 OTHER LIABILITIES

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

3.11 EMPLOYEE BENEFITS

3.11.1 DEFINED CONTRIBUTION PLANS

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

3.11.1.1 EMPLOYEES' PROVIDENT FUND (EPF)

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

3.11.1.2 EMPLOYEES' TRUST FUND (ETF)

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

3.11.2 DEFINED BENEFIT PLANS

3.11.2.1 RETIREMENT BENEFIT OBLIGATIONS

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

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

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

This retirement benefit obligation is not externally funded.

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

3.11.3 SHORT-TERM EMPLOYEE BENEFITS

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

3.12 PROVISIONS

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

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

3.13 CAPITAL COMMITMENTS AND CONTINGENCIES

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

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

3.14 EVENTS OCCURRING AFTER THE REPORTING DATE

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

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

3.15 INCOME STATEMENT

3.15.1 REVENUE RECOGNITION

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

3.15.1.1 INTEREST INCOME AND INTEREST EXPENSE

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

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

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

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

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

EFFECTIVE INTEREST RATE (EIR)

The EIR is the rate that exactly discounts the 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 the 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 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 are recognised on a cash basis.

3.15.2 EXPENDITURE

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

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

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

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

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

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

3.15.2.1 BORROWING COSTS

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

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

3.16 TAXES

3.16.1 INCOME TAX EXPENSE

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

CURRENT TAXES

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

DEFERRED TAX

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

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

3.16.2 VALUE ADDED TAX ON FINANCIAL SERVICES

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

3.16.3 CROP INSURANCE LEVY (CIL)

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

3.16.4 SOCIAL SECURITY CONTRIBUTION LEVY(SSCL)

Social Security Contribution Levy (SSCL) was imposed with effect from October 01, 2022, at the rate of 2.5% by the Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act).

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 02 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 01 of 2010, issued under Sections 32A to 32E of the Monetary Law Act with effect from 01st October 2010. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of registered finance companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the 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 25% of total deposit liabilities, a sum equal to not less than 5% of the net profits
- If capital funds are less than 25% of total deposit liabilities but not less than 10% thereof, a sum equal to not less than 20% of the net profits
- If capital funds are less than 10% of total deposit liabilities, a sum equal to not less than 50% 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	2023 Rs.	2022 Rs.
Interest income (Note 5)	**3,593,058,853**	2,709,169,183
Fee and commission income (Note 7)	**105,891,972**	102,104,674
Other operating income (Note 8)	**121,276,568**	160,935,000
	3,820,227,393	2,972,208,857

5. INTEREST INCOME

For the year ended 31st March	2023 Rs.	2022 Rs.
Finance lease	**1,965,886,663**	1,946,303,708
Hire purchase	**9,825**	238,419
Factoring	**4,315,133**	3,927,144
Loans	**142,672,558**	151,428,161
Gold loans	**1,261,763,310**	538,264,885
Interest income on investments	**218,411,364**	69,006,866
	3,593,058,853	2,709,169,183

6. INTEREST EXPENSES

For the year ended 31st March	2023 Rs.	2022 Rs.
Interest expense on		
Borrowings	**775,977,182**	303,636,490
Customer deposits	**1,677,376,263**	802,696,954
Negotiable instruments	**2,465,304**	2,438,716
Overdraft interest	**117,701,071**	27,040,350
Interest expense on lease liabilities - Right-of-use asset	**26,502,775**	23,654,411
	2,600,022,595	1,159,466,921

7. FEE AND COMMISSION INCOME

For the year ended 31st March	2023 Rs.	2022 Rs.
Documentation income - Lease and hire purchases	25,598,880	64,879,926
Administration charges - Factoring	717,197	2,062,165
Charges on recovery follow up	41,953,688	-
Insurance commission	37,622,207	35,162,583
	105,891,972	102,104,674

8. OTHER OPERATING INCOME

For the year ended 31st March	2023 Rs.	2022 Rs.
Collections from written off contracts	44,349,645	81,498,103
Profit on disposal of property, plant and equipment	1,017	483,465
Rent income	11,435,732	10,788,000
Fair value gain on investment properties	41,250,002	10,650,000
Dividend income	1,810,933	4,074,362
Insurance claim on Gampaha Branch robbery (Note 8.1)	-	52,657,637
Sundry income	22,429,239	783,433
	121,276,568	160,935,000

8.1 The company has made a provision of Rs,58,236,918/- in financial year 2020/2021 for loss on the robbery. An insurance claim of Rs. 52,657,637/- was received in the previous year for the same.

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

For the year ended 31st March	2023 Rs.	2022 Rs.
Finance lease receivable		
Stage 01	(64,100,479)	(158,329,134)
Stage 02	(2,955,045)	(21,462,524)
Stage 03	134,930,062	241,017,878
	67,874,538	61,226,220
Hire purchase receivable		
Stage 01	-	-
Stage 02	-	-
Stage 03	459,384	(4,180,994)
	459,384	(4,180,994)

For the year ended 31st March	2023 Rs.	2022 Rs.
Other loans receivable		
Stage 01	**(2,140,236)**	(3,299,063)
Stage 02	**7,253,782**	(662,533)
Stage 03	**25,499,747**	73,785,946
	30,613,293	69,824,350
Factoring receivable		
Stage 01	**(1,180)**	(4,415,440)
Stage 02	**1,903,464**	-
Stage 03	**4,428,775**	12,190,605
	6,331,059	7,775,165
Gold loans receivable		
Stage 01	**1,107,436**	-
Stage 02	**394,178**	-
Stage 03	**(5,342,593)**	(11,268,881)
	(3,840,979)	(11,268,881)
Alternative finance		
Stage 01	**422,824**	1,163,965
Stage 02	**-**	-
Stage 03	**1,163,672**	-
	1,586,496	1,163,965
Total impairment charge	**103,023,791**	124,539,825

10. PERSONNEL EXPENSES

For the year ended 31st March		2023 Rs.	2022 Rs.
Salaries and other related expenses		**551,366,676**	545,256,674
Defined contribution plan	- EPF	**43,864,374**	40,456,703
	- ETF	**10,966,094**	10,114,176
Defined benefit plan	- Gratuity	**14,355,236**	9,182,059
		620,552,380	605,009,612

11. OTHER OPERATING EXPENSES

For the year ended 31st March	2023 Rs.	2022 Rs.
Directors' emoluments	9,672,400	7,500,000
Auditor's remuneration	1,841,209	1,783,694
Professional and legal fees	41,394,684	49,851,353
Charity and donations	30,000	401,000
Administration and establishment expenses	264,226,948	225,389,088
Advertising and business promotional expenses	26,509,457	69,065,210
Property, plant and equipment written off	-	3,197,024
Impairment provision on real estate receivable	-	16,277,733
Other expenses	58,043,046	25,732,818
	401,717,744	399,197,920

12. INCOME TAX EXPENSE

For the year ended 31st March	2023 Rs.	2022 Rs.
Current tax		
On current year profits (Note 12.1)	-	-
Deferred tax		
Deferred tax charged to the income statement (Note 22)	2,479,940	-
Income tax expense for the year	2,479,940	-

12.1 RECONCILIATION BETWEEN ACCOUNTING PROFIT AND TAXABLE INCOME

	2023	2022
Profit/(loss) before income tax expense	(69,565,672)	452,997,166
Adjustments on disallowable expenses	4,001,798,065	3,268,373,980
Adjustments on allowable expenses	(3,834,263,762)	(2,607,286,319)
Statutory income	97,968,631	1,114,084,827
Less: Tax loss claimed on leasing business (Note 12.2)	-	(1,099,222,464)
Tax loss claimed on non-leasing business (Note 12.2)	-	(14,862,362)
Assessable income	97,968,631	-
Less: Utilisation of qualifying payments (Note 12.3)	(97,968,631)	-
Taxable profit for the year	-	-
Effective tax rate	30%	24%

For the year ended 31st March	2023 Rs.	2022 Rs.
12.2 TAX LOSSES		
Tax losses brought forward	1,895,178,283	3,009,263,109
Tax losses incurred during the year	-	-
Tax losses claimed during the year	-	(1,114,084,826)
Tax losses carried forward	1,895,178,283	1,895,178,283
12.3 QUALIFYING PAYMENT ON INVESTMENT		
Consideration paid to acquire former Orient Finance PLC	1,730,906,250	1,730,906,250
Less : Utilised in prior years	(343,905,209)	(343,905,209)
Less : Utilised during the year	(97,968,631)	-
Balance qualifying payment carried forward	1,289,032,410	1,387,001,041

12.4 CURRENT TAX

With the enactment of the Inland Revenue (Amendment) Act No. 45 of 2022 income tax rate was revised from 24% to 30% effective from 01st October 2022 for the year of assessment 2022/2023. Accordingly, income tax rate of 30% was applied on the taxable income of the company for the 2nd half of the financial year ended 31st March 2023.

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	2023 Rs.	2022 Rs.
Profit/(loss) attributable to ordinary shareholders (Rs.)	(72,045,612)	452,997,166
Weighted average number of ordinary shares	211,101,155	211,101,155
Earnings per share (Rs.)	(0.34)	2.15
Weighted average number of ordinary shares	211,101,155	211,101,155

14. DIVIDEND PER SHARE

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

For the year ended 31st March	2023	2022
	Rs.	Rs.
Dividend paid (Rs)	-	-
Dividend per share (Rs.)	-	-

15. FINANCIAL ASSETS AND LIABILITIES

15.1 CLASSIFICATION AS AT 31ST MARCH 2023

	Financial assets at fair value through other comprehensive income (FVTOCI)	Financial assets at amortised cost	Total carrying amount
	Rs.	Rs.	Rs.
Financial assets			
Cash and cash equivalents	-	307,893,891	307,893,891
Investment in government securities, quoted and unquoted shares	1,262,913,731	-	1,262,913,731
Loans and receivables to customers	-	12,941,011,251	12,941,011,251
Investments with banks and other financial institutions	-	236,013,310	236,013,310
Total financial assets	1,262,913,731	13,484,918,452	14,747,832,183

	Financial liabilities at amortised cost	Total carrying amount
	Rs.	Rs.
Financial liabilities		
Bank overdrafts	240,846,238	240,846,238
Deposits from customers	10,759,498,577	10,759,498,577
Interest bearing borrowings	2,606,632,095	2,606,632,095
Total financial liabilities	13,606,976,910	13,606,976,910

15.2 CLASSIFICATION AS AT 31 MARCH 2022

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

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

16. CASH AND CASH EQUIVALENTS

As at 31st March	**2023**	2022
	Rs.	Rs.
Cash in hand	**222,627,839**	230,339,894
Cash at bank	**85,266,052**	66,099,841
	307,893,891	296,439,735
Bank overdrafts	**(240,846,238)**	(680,571,641)
Cash and cash equivalents for the purpose of cash flow statement	**67,047,653**	(384,131,906)

17. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	2023 Rs.	2022 Rs.
Investments in government securities (Note 17.1)	**1,251,863,131**	675,932,843
Investments in unquoted shares (Note 17.2)	**230,600**	230,600
Investments in quoted shares (Note 17.3)	**10,820,000**	49,541,306
	1,262,913,731	725,704,749

17.1 INVESTMENTS IN GOVERNMENT SECURITIES

Treasury bills	**1,251,863,131**	675,932,843
	1,251,863,131	675,932,843

17.2 INVESTMENTS IN UNQUOTED SHARES

	Directors' Valuation Rs.	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/- (2022 - Rs. 230,600/-).

17.3 INVESTMENTS IN QUOTED SHARES

	No. of shares	Cost Rs.	Fair value Rs.
Tokyo Cement Company (Lanka) PLC	60,000	5,241,000	3,000,000
Hayleys PLC	60,000	4,720,800	4,320,000
John Keells Holdings PLC	25,000	4,375,000	3,500,000
		14,336,800	10,820,000

18. LOANS AND RECEIVABLES TO CUSTOMERS

As at 31st March	2023 Rs.	2022 Rs.
Loans and receivables	17,371,880,141	18,771,391,574
Less: Unearned income	(3,391,348,713)	(3,709,083,189)
Net loans and receivables	13,980,531,428	15,062,308,385
Less: Impairment for expected credit losses (Note 18.1.10)	(1,039,520,177)	(936,496,386)
Net loans and receivables	12,941,011,251	14,125,811,999

18.1 PRODUCT WISE ANALYSIS OF NET LOANS AND RECEIVABLES

18.1.1 FINANCE LEASE RECEIVABLES

As at 31st March	2023 Rs.	2022 Rs.
Gross lease rentals receivable	11,180,900,866	13,345,266,579
Less: Unearned income	(3,106,175,174)	(3,490,937,360)
Net lease rentals receivable	8,074,725,692	9,854,329,219
Less: Impairment for expected credit losses (Note 18.1.10)	(744,960,098)	(677,085,560)
Net finance lease receivable	7,329,765,594	9,177,243,659
Lease rentals receivable within one year		
Gross lease rentals receivable within one year	4,452,952,964	5,048,172,855
Less: Unearned income	(1,381,003,598)	(2,219,884,704)
Net lease rentals receivable within one year	3,071,949,366	2,828,288,151
Less: Impairment for expected credit losses	(283,412,686)	(256,111,704)
Net finance lease receivable within one year	2,788,536,680	2,572,176,447
Lease rentals receivables within one to five years		
Gross lease rentals receivable within one to five years	6,666,835,625	8,287,904,447
Less: Unearned income	(1,709,530,179)	(1,270,592,687)
Net lease rentals receivable within one to five years	4,957,305,446	7,017,311,760
Less: Impairment for expected credit losses	(457,352,348)	(420,973,856)
Net finance lease receivable within one to five years	4,499,953,098	6,596,337,904
Lease rentals receivable later than five years		
Gross lease rentals receivable later than five years	61,112,277	9,189,277
Less: Unearned income	(15,641,397)	(459,969)
Net lease rentals receivable later than five years	45,470,880	8,729,308
Less: Impairment for expected credit losses	(4,195,064)	-
Net finance lease receivable later than five years	41,275,816	8,729,308
Total	7,329,765,594	9,177,243,659

18.1.2 HIRE PURCHASE RECEIVABLE

As at 31st March	2023 Rs.	2022 Rs.
Gross hire purchase rentals receivable	**29,171,581**	28,711,768
Less: Unearned income	**-**	-
Net hire purchase rentals receivable	**29,171,581**	28,711,768
Less: Impairment for expected credit losses (Note 18.1.10)	**(8,042,454)**	(7,583,070)
Net hire purchase receivable	**21,129,127**	21,128,698
Hire purchase rentals receivable within one year		
Gross hire purchase rentals receivable within one year	**29,171,581**	28,711,768
Less: Unearned income	**-**	-
Net hire purchase rentals receivable within one year	**29,171,581**	28,711,768
Less: Impairment for expected credit losses	**(8,042,454)**	(7,583,070)
Hire purchase rentals receivable within one year	**21,129,127**	21,128,698

18.1.3 OTHER LOANS RECEIVABLE

As at 31st March	2023 Rs.	2022 Rs.
Gross other loans rentals receivable	**878,575,878**	1,284,744,154
Less: Unearned income	**(65,978,272)**	(112,189,266)
Net other loans rentals receivable	**812,597,606**	1,172,554,888
Less: Impairment for expected credit losses (Note 18.1.10)	**(202,563,196)**	(171,949,903)
Net other loans receivable	**610,034,410**	1,000,604,985
Other loans receivable within one year		
Gross other loans rentals receivable within one year	**684,201,072**	794,935,444
Less: Unearned income	**(31,408,768)**	(71,320,140)
Net other loans rentals receivable within one year	**652,792,304**	723,615,304
Less: Impairment for expected credit losses	**(162,711,010)**	(65,044,248)
Net other loans receivables within one year	**490,081,294**	658,571,056
Other loans receivable within one to five years		
Gross other loans rentals receivable within one to five years	**194,374,806**	489,808,710
Less: Unearned income	**(34,569,504)**	(40,869,126)
Net other loans rentals receivable within one to five years	**159,805,302**	448,939,584
Less: Impairment for expected credit losses	**(39,852,186)**	(106,905,655)
Net other loans receivables within one to five years	**119,953,116**	342,033,929
Total	**610,034,410**	1,000,604,985

18.1.4 FACTORING RECEIVABLE

As at 31st March	2023 Rs.	2022 Rs.
Factoring receivable	93,540,396	95,011,647
Less: Impairment for expected credit losses (Note 18.1.10)	(79,299,273)	(72,968,214)
Net factoring receivable	14,241,123	22,043,433

18.1.5 PAWNING RECEIVABLE

Pawning receivable	4,486,457,603	3,579,458,664
Less: Impairment for expected credit losses (Note 18.1.10)	(1,904,695)	(5,745,674)
Net pawning receivable	4,484,552,908	3,573,712,990

18.1.6 ALTERNATIVE FINANCE RECEIVABLE

Gross Alternative finance receivable	703,233,817	438,198,761
Less: Unearned income	(219,195,267)	(105,956,563)
Net Alternative finance receivable	484,038,550	332,242,198
Less: Impairment for expected credit losses (Note 18.1.10)	(2,750,461)	(1,163,965)
Net Alternative finance receivable	481,288,089	331,078,233
Alternative finance receivables within one year		
Gross Alternative finance receivable within one year	338,224,544	165,759,378
Less: Unearned income	(100,295,265)	(67,377,707)
Net Alternative finance receivable within one year	237,929,279	98,381,671
Less: Impairment for expected credit losses	(1,351,990)	(440,298)
Net Alternative finance receivable within one year	236,577,289	97,941,373
Alternative finance receivables within one to five years		
Gross Alternative finance receivable within one to five years	365,009,273	272,153,831
Less: Unearned income	(118,900,002)	(38,564,895)
Net Alternative finance receivable within one to five years	246,109,271	233,588,936
Less: Impairment for expected credit losses	(1,398,471)	(722,908)
Net Alternative finance receivable within one to five years	244,710,800	232,866,028
Alternative finance receivables later than five years		
Gross Alternative finance receivable later than five years	-	285,552
Less: Unearned income	-	(13,961)
Net Alternative finance receivable later than five years	-	271,591
Less: Impairment for expected credit losses	-	(759)
Net Alternative finance receivable later than five years	-	270,832
Total	481,288,089	331,078,233

18.1.7 PRODUCT WISE ANALYSIS OF NET LOANS AND RECEIVABLES

	As at 31st March 2023			As at 31st March 2022		
	Gross Receivables	ECL Allowance	Net Receivables	Gross Receivables	ECL Allowance	Net Receivables
Finance lease receivable (Note 18.1.1)						
Stage 01	5,642,840,576	(155,890,647)	5,486,949,929	6,249,976,103	(219,991,126)	6,029,984,977
Stage 02	1,485,821,160	(185,659,630)	1,300,161,530	1,308,507,145	(188,614,675)	1,119,892,470
Stage 03	946,063,956	(403,409,821)	542,654,135	2,295,845,971	(268,479,759)	2,027,366,212
	8,074,725,692	(744,960,098)	7,329,765,594	9,854,329,219	(677,085,560)	9,177,243,659
Hire purchase receivable (Note 18.1.2)						
Stage 01	-	-	-	-	-	-
Stage 02	-	-	-	-	-	-
Stage 03	29,171,581	(8,042,454)	21,129,127	28,711,768	(7,583,070)	21,128,698
	29,171,581	(8,042,454)	21,129,127	28,711,768	(7,583,070)	21,128,698
Other loans receivable (Note 18.1.3)						
Stage 01	458,111,090	(4,562,069)	453,549,021	639,443,397	(6,702,305)	632,741,092
Stage 02	84,313,877	(13,746,828)	70,567,049	37,441,144	(6,493,046)	30,948,098
Stage 03	270,172,639	(184,254,299)	85,918,340	495,670,347	(158,754,552)	336,915,795
	812,597,606	(202,563,196)	610,034,410	1,172,554,888	(171,949,903)	1,000,604,985
Factoring receivable (Note 18.1.4)						
Stage 01	-	-	-	3,850,864	(1,180)	3,849,684
Stage 02	2,291,354	(1,903,464)	387,890	-	-	-
Stage 03	91,249,042	(77,395,809)	13,853,233	91,160,783	(72,967,034)	18,193,749
	93,540,396	(79,299,273)	14,241,123	95,011,647	(72,968,214)	22,043,433
Pawning receivable (Note 18.1.5)						
Stage 01	3,930,281,884	(1,107,436)	3,929,174,448	1,968,122,046	-	1,968,122,046
Stage 02	480,281,584	(394,178)	479,887,406	1,517,363,536	-	1,517,363,536
Stage 03	75,894,135	(403,081)	75,491,054	93,973,082	(5,745,674)	88,227,408
	4,486,457,603	(1,904,695)	4,484,552,908	3,579,458,664	(5,745,674)	3,573,712,990
Alternative finance receivable (Note 18.1.6)						
Stage 01	474,220,191	(1,586,789)	472,633,402	49,003,834	(1,163,965)	47,839,869
Stage 02	-	-	-	-	-	-
Stage 03	9,818,359	(1,163,672)	8,654,687	283,238,364	-	283,238,364
	484,038,550	(2,750,461)	481,288,089	332,242,198	(1,163,965)	331,078,233
Total	13,980,531,428	(1,039,520,177)	12,941,011,251	15,062,308,384	(936,496,386)	14,125,811,998

18.1.8 MOVEMENT IN IMPAIRMENT CHARGES DURING THE YEAR

	Finance lease	Hire purchase	Loans and others	Factoring	Alternative finance	Pawning	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2022	677,085,560	7,583,070	171,949,903	72,968,214	1,163,965	5,745,674	936,496,386
Charges for the year	67,874,538	459,384	30,613,293	6,331,059	1,586,496	(3,840,979)	103,023,791
Balance as at 31st March 2023	744,960,098	8,042,454	202,563,196	79,299,273	2,750,461	1,904,695	1,039,520,177

18.1.9 MOVEMENT IN SPECIFIC AND COLLECTIVE IMPAIRMENT CHARGES FOR THE YEAR ENDED 31ST MARCH 2022

	Finance lease	Hire purchase	Loans and others	Factoring	Alternative finance	Pawning	Total
Balance as at 01st April 2021	745,726,332	11,764,064	201,009,639	66,648,310	-	17,014,555	1,042,162,900
Charge for the year	61,226,220	(4,180,994)	69,824,350	7,775,165	1,163,965	(11,268,881)	124,539,825
Written off during the year	(254,342,676)	-	(105,415,908)	(1,455,261)	-	-	(361,213,845)
Legal interest capitalised	124,475,684	-	6,531,822	-	-	-	131,007,506
Balance as at 31st March 2022	677,085,560	7,583,070	171,949,903	72,968,214	1,163,965	5,745,674	936,496,386

18.1.10 IMPAIRMENT FOR EXPECTED CREDIT LOSSES (STAGE COMPOSITION) AS AT 31ST MARCH 2023

	Finance lease	Hire purchase	Loans and others	Factoring	Alternative finance	Pawning	Total
Stage 01 ECL	155,890,647	-	4,562,069	-	1,586,789	1,107,436	163,146,941
Stage 02 ECL	185,659,630	-	13,746,828	1,903,464	-	394,178	201,704,100
Stage 03 ECL	403,409,821	8,042,454	184,254,299	77,395,809	1,163,672	403,081	674,669,136
	744,960,098	8,042,454	202,563,196	79,299,273	2,750,461	1,904,695	1,039,520,177

19. INVESTMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31st March	2023	2022
	Rs.	Rs.
Investments in fixed deposits	**236,013,310**	242,460,738
	236,013,310	242,460,738

20. OTHER ASSETS

As at 31st March	2023 Rs.	2022 Rs.
Advances paid	**15,001,334**	10,022,684
Insurance commissions receivable	**9,142,198**	4,975,189
ESC and WHT recoverable	**99,849,272**	99,448,422
Deposits and prepayments	**533,447,994**	140,965,659
	657,440,798	255,411,954

21. REAL ESTATE STOCK

As at 31st March	2023 Rs.	2022 Rs.
Naranwala project	**1,767,497**	1,767,497
Kiriberiya project	**2,887,113**	2,887,113
Matale project	**12,734,205**	18,808,826
Maddawaththa project	**865,459**	865,459
Chillaw project	**1,793,927**	1,793,927
Dambulla project	**7,393,146**	-
Fall in fair value of real estate stock	**(16,784,729)**	(16,784,729)
	10,656,618	9,338,093

22. DEFERRED TAX ASSET

As at 31st March	2023 Rs.	2022 Rs.
Balance at the beginning of the year	**371,600,809**	370,832,054
Deferred tax effect on actuarial gain on retirement benefits obligation	**456,564**	768,755
Reversal for the year	**(2,479,940)**	-
Balance at the end of the year	**369,577,434**	371,600,809

As at 31st March	2023 Rs.	2022 Rs.

22.1 DEFERRED TAX ASSETS

The amounts recognised as deferred tax assets are as follows:

Property, plant and equipment and intangible assets	**(55,153,119)**	(49,372,807)
Right-of-use assets	**(15,170,957)**	(9,320,618)
Retirement benefits obligation	**16,191,190**	10,584,955
Tax losses carried forward	**-**	-
Qualifying payment on purchase consideration of amalgamation	**333,606,467**	325,203,558
Unclaimed impairment provision	**90,103,853**	94,505,721
	369,577,434	371,600,809

Deferred tax assets and liabilities as at 31st March 2023 were assessed based on the revised income tax rate of 30% (2022- 24%) which was effective from 01st October 2022.

As of 31st March 2023, the company has carried forward a tax loss amounting to Rs. 1,895,178,283/- (2022 - Rs. 1,895,178,283/-) which is available for offsetting against the future taxable income of the company for a maximum period of six (06) years. However, the company has recognised deferred tax asset on unused tax losses only up to the deferred tax liability as 31st March 2023. Accordingly, deferred tax asset of Rs. Nil (Rs. 568,553,485/-) has been recognised from the tax losses carried forward amounting to Rs. Nil (2022 - Rs. nil/-).

In addition to that, the company has qualifying payment on purchase consideration of amalgamation amounting to Rs. 1,289,032,411/- (2022 - Rs. 1,387,001,041/-) which is qualifying to utilise as tax credits against the future taxable income of the company. However, the company has recognised deferred tax assets on unused qualifying payment only up to the deferred tax liability as at 31st March 2023. Accordingly, deferred tax asset of Rs. 333,606,467/- (Rs. 386,709,723/-) has been recognised from the qualifying payment amounting to Rs. 1,112,021,558/- (2022 - Rs. 1,387,001,041/-).

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 the 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 the goodwill on acquisition.

23.3 IMPAIRMENT

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

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

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

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

Management determined forecast operating results based on past performance and expectations for the future. The pre-tax discount rate used is 22% and the growth rate used to extrapolate cash flow projections beyond five years is 5% per annum. Value in Use (VIU) is computed based on these data and assumptions support the carrying value of goodwill.

The summary of assessments is as follows:

	Rs.
Value in use as per management's assessment	7,244,464,855
Carrying value of brand value and goodwill	800,425,746
Carrying value of tangible assets	2,480,580,420
Total carrying value (net assets)	3,281,006,166

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 2023.

24. OTHER INTANGIBLE ASSETS

As at 31st March	2023 Rs.	2022 Rs.
Computer software		
Cost		
Balance at the beginning of the year	**62,710,601**	62,710,601
Balance at the end of the year	**62,710,601**	62,710,601
Accumulated amortisation		
Balance at the beginning of the year	**24,810,666**	12,046,481
Amortised during the year	**12,801,990**	12,764,185
Balance at the end of the year	**37,612,656**	24,810,666
Carrying amount as at 31st March	**25,097,945**	37,899,935

25. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Motor vehicles Rs.	Total Rs.
Balance as at the beginning of the year	73,471,385	92,624,238	151,595,853	616,392	318,307,868
Additions during the year	18,568,225	19,285,728	12,673,411	-	50,527,364
Disposals during the year	-	-	(168,500)	-	(168,500)
Balance as at the end of the year	92,039,610	111,909,966	164,100,764	616,392	368,666,732
Accumulated depreciation					
Balance as at the beginning of the year	41,484,757	54,696,406	137,198,055	422,845	233,802,063
Charge for the year	21,802,477	21,882,311	20,422,632	80,000	64,187,420
On disposals	-	-	(56,167)	-	(56,167)
Balance as at the end of the year	63,287,234	76,578,717	157,564,520	502,845	297,933,316
Carrying amount as at 31st March 2023	28,752,376	35,331,249	6,536,244	113,547	70,733,416
Carrying amount as at 31st March 2022	31,986,628	37,927,832	14,397,798	193,547	84,505,805

25.1 Property, plant and equipment included fully depreciated assets having a gross amount of Rs. 98,511,154/- as at 31st March 2023. (31st March 2022 - Rs. 78,547,576/-).

25.2 There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2021/2022 - nil).

25.3 There were no restrictions on the title of the property, plant and equipment as at 31st March 2023.

25.4 There were no items of property, plant and equipment pledged as security as at 31st March 2023.

25.5 There were no temporary idle items of property, plant and equipment as at 31st March 2023.

26. RIGHT-OF-USE-ASSETS

As at 31st March	2023 Rs.	2022 Rs.
Cost		
Balance at the beginning of the year	212,863,813	190,558,576
Additions made during the year	22,172,486	22,305,237
Balance at the end of the year	235,036,299	212,863,813
Accumulated amortisation		
Balance at the beginning of the year	97,367,739	61,390,756
Charge for the year	40,875,878	35,976,983
Balance at the end of the year	138,243,617	97,367,739
	96,792,682	115,496,074

27. INVESTMENT PROPERTIES

As at 31st March	2023 Rs.	2022 Rs.
Balance at the beginning of the year	662,150,002	628,000,002
Additions during the year	8,566,463	23,500,000
Disposal during the year	(21,500,000)	-
Fair value gain on investment properties	41,100,000	10,650,000
Balance at the end of the year	690,316,465	662,150,002

27.1 THE DETAILS OF LANDS AND BUILDINGS

Location and address	Method of Valuation	No. of Buildings	Building Area (Sq.Ft)	Land Extent (Perches)	Fair Value as at 31st March 2023 (Rs.)	Fair Value as at 31st March 2022 (Rs.)
38, Station Road, Matara	Market Approach	1	9,400	37.8	140,000,000	138,000,000
197/4, Galle Road, Kalutara	Market Approach	1	36,141	39.87	298,500,000	286,600,000
Eluwila, Panadura	Market Approach	-	-	A1-R3-P22	83,750,000	83,000,000
3rd Lane, Pubudu Kreedangana Mawatha, Halbarawa, Malabe	Market Approach	1	2,623	R1-P11	62,000,000	47,175,000
Homagama, Kuruduwaththe Wala Kumbure Peellewa	Market Approach	-	-	1A-R0-P32	44,500,000	39,500,000
Katupotha, Dambulla	Market Approach	-	-	R1-P32.62	27,000,000	22,875,000
No.5675, Naigalawatta, Ibbankatuwa, Dambulla	Market Approach	-	-	1A-2R 32.4 P	26,000,000	23,500,000
Kaluwarippuwa, Katana	Market Approach	-	-	A01.R1.P32	-	21,500,000
Beligahawatta, Gunasekara Mawatha, Habaraduwa	Market Approach	1	2,400	R1-P6.5	8,566,465	-
Total					690,316,465	662,150,000

The investment property in Kaluwarippuwa, Katana, was sold for Rs. 21.5 Mn during the financial year 2022-2023. Additionally, during the financial year 2022-2023, Orient Finance PLC acquired an investment property situated in Beligahawatta, Habaraduwa for Rs. 8.6 Mn.

27.2 The amounts recognised in profit or loss for rental income from investment properties and direct operating expenses arising from investment properties are as follows:

Location and address	No. of Buildings	Rental income from investment properties (Rs.)	Direct operating expense (Rs.)
38, Station Road, Matara	1	807,866	925,480
197/4, Galle Road, Kalutara	1	10,453,866	890,785

28. DEPOSITS FROM CUSTOMERS

As at 31st March	2023 Rs.	2022 Rs.
Fixed deposits (Note 28.1)	**10,700,736,645**	9,150,223,285
Savings deposits	**58,761,932**	54,039,728
	10,759,498,577	9,204,263,013

28.1 DEPOSIT FROM CUSTOMERS (CONTD..)

As at 31st March	2023 Rs.	2022 Rs.
Public deposits	**10,118,124,621**	8,907,555,919
Interest accrued	**582,612,024**	242,667,366
Public deposits at amortised cost	**10,700,736,645**	9,150,223,285

28.2 Rs. 9,180,459,612/- (2021/2022 - Rs. 8,086,667,075/-) of deposits from customers are expected to mature within a 12 month period from the reporting date, 31st March 2023.

29. INTEREST BEARING BORROWINGS

As at 31st March	2023 Rs.	2022 Rs.
Institutional borrowings (Note 29.1)	**2,606,632,095**	3,773,455,991
Commercial Papers	**-**	101,403,260
	2,606,632,095	3,874,859,251

29.1 MOVEMENT IN INSTITUTIONAL BORROWINGS

Balance at the beginning of the year	**3,736,488,798**	2,568,850,933
Obtained during the year	**682,934,628**	6,865,119,911
Payments made during the year	**(1,826,049,192)**	(5,697,482,046)
Balance before adjusting for amortized interest (Note 29.3)	**2,593,374,234**	3,736,488,798
Net effect on amortised interest payable (Note 29.3)	**13,257,861**	36,967,193
Balance at the end of the year	**2,606,632,095**	3,773,455,991

29.2 INTEREST BEARING BORROWINGS - CURRENT AND NON-CURRENT

Payable within one year	**1,406,372,649**	2,229,231,943
Payable after one year (1-5 years)	**1,200,259,446**	1,645,627,308
	2,606,632,095	3,874,859,251

29.3 INSTITUTIONAL BORROWINGS

Bank	Facility amount	Capital outstanding as at 31.03.2023	Finance cost payable as at 31.03.2023	Total payable at amortised cost as at 31.03.2023	Tenure of loan (months)
	Rs.	Rs.	Rs.	Rs.	
Long-term loans					
Union Bank PLC	825,000,000	415,538,012	278,918	415,816,930	48
Sampath Bank PLC	500,000,000	333,280,000	1,309,380	334,589,380	48
Hatton National Bank PLC	500,000,000	374,000,000	239,770	374,239,770	48
Sanasa Development Bank	50,000,000	11,399,374	96,283	11,495,657	24
Bank of Ceylon	700,000,000	438,999,980	5,705,499	444,705,479	24
Cargills Bank PLC	650,000,000	120,156,860	624,889	120,781,749	36
National Development Bank PLC	400,000,000	400,000,000	542,247	400,542,247	36
Short-term loans - Revolving					
Sampath Bank PLC	100,000,000	100,000,000	418,356	100,418,356	Revolving Loan
Union Bank PLC	200,000,000	200,000,000	1,641,253	201,641,253	Revolving Loan
Pan Asia Banking Corporation PLC	200,000,000	200,000,000	2,401,274	202,401,274	Revolving Loan
		2,593,374,234	13,257,869	2,606,632,095	

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

As at 31st March	2023	2022
	Rs.	Rs.
Balance at the beginning of the year	**76,660,167**	104,375,186
During the year additions	**22,172,486**	22,305,237
Interest charged for the year	**26,489,557**	23,654,411
Payment made during the year	**(79,099,385)**	(73,674,667)
	46,222,825	76,660,167
Payable within one year	**19,470,092**	45,032,960
Payable after one year	**26,752,733**	31,627,207
	46,222,825	76,660,167

31. OTHER LIABILITIES

As at 31st March	2023 Rs.	2022 Rs.
Vendor payable	**227,986,015**	162,372,315
Insurance payable	**30,813,095**	45,518,469
Accrued expenses and other payables	**199,558,670**	287,012,614
Real estate advances	**23,860,854**	20,004,854
	482,218,634	514,908,252

32. RETIREMENT BENEFITS OBLIGATION

As at 31st March	2023 Rs.	2022 Rs.
Balance at the beginning of the year	**44,103,980**	39,804,738
Amount recognised in the total comprehensive income (Note 32.1)	**12,833,356**	5,978,915
Payments during the year	**(4,488,584)**	(1,679,673)
Balance at the end of the year	**52,448,752**	44,103,980

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

As at 31st March	2023 Rs.	2022 Rs.
Interest cost	**6,615,597**	2,786,332
Current service cost	**7,739,639**	6,395,727
Actuarial gain recognised	**(1,521,880)**	(3,203,144)
	12,833,356	5,978,915

32.2 An actuarial valuation of the retirement benefits obligation was carried out as at 31st March 2023 by Actuarial and Management Consultants (Pvt) Ltd. The company has estimated its gratuity liability as at 31st March 2023 based on the forecast given by the actuary using the census and assumptions as at 31st March 2023.

The principal assumptions used were as follows:

As at 31st March	2023	2022
Discount rate	15.00%	15.00%
Future salary increases	10%	10%
Staff turnover factor	20%	25%
Retirement age	60 years	55 years

32.3 SENSITIVITY OF ASSUMPTIONS EMPLOYED IN ACTUARIAL VALUATION

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

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

Increase/decrease in discount rate	Increase/decrease in salary increment	2022/2023 Sensitivity effect on income statement increase/(reduction) in results for the year Rs.	2021/2022 Sensitivity effect on income statement increase/(reduction) in results for the year Rs.
1%	-	(1,803,528)	(1,236,124)
-1%	-	1,940,713	1,315,963
-	1%	2,202,413	1,523,253
-	-1%	(2,075,398)	(1,451,686)

33. STATED CAPITAL

As at 31st March	2023 Rs.	2022 Rs.
Ordinary shares (Note 33.1)	**2,431,879,039**	2,431,879,039
	2,431,879,039	2,431,879,039
No. of shares (Note 33.2)	**211,101,155**	211,101,155

33.1 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company.

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

34. STATUTORY RESERVE FUND

As at 31st March	2023 Rs.	2022 Rs.
At the beginning of the year	**375,736,747**	330,437,030
Transfer during the year	**-**	45,299,717
At the end of the year	**375,736,747**	375,736,747

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

35. REVALUATION RESERVE

As at 31st March	2023 Rs.	2022 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

36. FINANCIAL REPORTING BY SEGMENTS

BUSINESS SEGMENTS

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

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

b) Loans - Provision of loan facilities to customers

c) Factoring - Debt factoring

d) Pawning - Provision of loans against gold

e) Others

For the year ended 31st March	Finance leases, Hire purchases		Loans	
	2023	2022	**2023**	2022
	Rs.	Rs.	**Rs.**	Rs.
Interest income	**1,965,896,488**	1,946,542,127	**142,672,558**	151,428,161
Fee and commission income	**80,216,588**	64,879,926	**2,307,586**	-
Other income	**32,283,325**	81,498,103	**12,135,320**	-
Total segmental income	**2,078,396,401**	2,092,920,156	**157,115,464**	151,428,161
Less: Interest expense	**(1,414,543,442)**	(816,453,959)	**(106,931,791)**	(59,072,546)
Segmental results	**663,852,959**	1,276,466,197	**50,183,673**	92,355,615
Depreciation and amortisation	**(64,124,662)**	(57,201,156)	**(4,847,476)**	(4,138,651)
Impairment charge	**68,333,923**	(57,045,226)	**30,613,293**	(69,824,350)
Other expenses	**(556,166,512)**	(707,126,008)	**(42,043,164)**	(51,162,387)
Value Added Tax and NBT on financial services	**(26,708,092)**	(105,458,725)	**(2,018,987)**	(7,630,210)
Profit after tax	**85,187,615**	349,635,082	**31,887,339**	(40,399,983)
Segmental assets	**7,857,567,100**	10,191,880,202	**605,754,288**	1,180,388,254
Segmental liabilities	**6,381,757,774**	8,276,291,299	**491,981,435**	958,531,384

Factoring		Pawning		Others		Total	
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
4,315,133	3,927,145	**1,261,763,310**	538,264,885	**218,411,364**	69,006,865	**3,593,058,853**	2,709,169,183
717,197	2,062,165	**-**	-	**22,650,601**	35,162,583	**105,891,972**	102,104,674
-	-	**-**	-	**76,857,923**	79,436,897	**121,276,568**	160,935,000
5,032,330	5,989,310	**1,261,763,310**	538,264,885	**317,919,888**	183,606,345	**3,820,227,393**	2,972,208,857
(3,424,972)	(2,336,446)	**(858,748,126)**	(209,978,625)	**(216,374,264)**	(71,625,345)	**(2,600,022,595)**	(1,159,466,921)
1,607,358	3,652,864	**403,015,184**	328,286,260	**101,545,624**	111,981,000	**1,220,204,798**	1,812,741,936
(155,262)	(163,692)	**(38,929,142)**	(14,711,203)	**(9,808,767)**	(5,018,106)	**(117,865,289)**	(81,232,809)
6,331,059	(7,775,165)	**(3,840,979)**	11,268,881	**1,586,496**	(1,163,965)	**(103,023,791)**	(124,539,825)
(1,346,622)	(2,023,582)	**(337,640,356)**	(181,861,261)	**(85,073,471)**	(62,034,293)	**(1,022,270,124)**	(1,004,207,532)
(64,667)	(301,791)	**(16,214,083)**	(27,122,262)	**(4,085,377)**	(9,251,615)	**(49,091,206)**	(149,764,604)
6,371,866	(6,611,366)	**6,390,624**	115,860,415	**4,164,505**	34,513,021	**(72,045,612)**	452,997,166
31,621,321	111,235,136	**4,483,270,142**	3,582,516,137	**4,490,660,436**	2,661,225,910	**17,468,873,287**	17,727,245,639
25,682,200	90,328,219	**3,641,221,732**	2,909,173,435	**3,647,223,980**	2,161,041,967	**14,187,867,121**	14,395,366,304

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	Less than 3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total 2023	Total 2022
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
ASSETS							
Cash and cash equivalents	307,893,891	-	-	-	-	**307,893,891**	296,439,735
Financial assets at fair value through other comprehensive income	1,262,913,731	-	-	-	-	**1,262,913,731**	725,704,749
Loans and receivables to customers	6,039,390,724	1,973,978,587	3,412,482,574	1,474,066,871	41,092,495	**12,941,011,251**	14,126,271,967
Investments with banks and other financial institutions	56,414,063	179,599,247	-	-	-	**236,013,310**	242,460,738
Other assets	24,143,532	533,447,994	-	99,849,272	-	**657,440,798**	255,411,953
Real estate stock	-	10,656,618	-	-	-	**10,656,618**	9,338,093
Deferred tax asset	-	-	369,577,434	-	-	**369,577,434**	371,600,809
Brand value	-	-	-	-	235,880,000	**235,880,000**	235,880,000
Goodwill	-	-	-	-	564,545,746	**564,545,746**	564,545,746
Intangible assets	-	-	-	-	25,097,945	**25,097,945**	37,899,935
Property, plant and equipment and right-of-use of assets	-	-	96,792,682	70,733,416	-	**167,526,098**	200,001,880
Investment properties	-	-	-	-	690,316,465	**690,316,465**	662,150,002
Total assets	7,690,755,941	2,697,682,446	3,878,852,690	1,644,649,559	1,556,932,651	**17,468,873,287**	17,727,705,607
LIABILITIES							
Bank overdrafts	240,846,238	-	-	-	-	**240,846,238**	680,571,641
Deposits from customers	4,170,298,468	5,010,161,144	608,334,294	970,704,671	-	**10,759,498,577**	9,204,263,013
Interest bearing borrowings	687,789,507	719,292,759	1,028,659,427	170,890,402	-	**2,606,632,095**	3,874,859,251
Lease Liability - Right-of-use assets	5,531,198	13,938,894	25,339,391	1,413,342	-	**46,222,825**	76,660,167
Other liabilities	458,357,780	23,860,854	-	-	-	**482,218,634**	514,908,252
Retirement benefits obligation	-	-	-	-	52,448,752	**52,448,752**	44,103,980
	5,562,823,191	5,767,253,651	1,662,333,112	1,143,008,415	52,448,752	**14,187,867,121**	14,395,366,304
Maturity Gap	2,127,932,750	(3,069,571,205)	2,216,519,578	501,641,144	1,504,483,899		

38. RELATED PARTY TRANSACTIONS

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

38.1 PARENT AND ULTIMATE CONTROLLING PARTY

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

38.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

According to LKAS 24, "Related Party Disclosures", key management personnel are those having the authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of directors (Including executives and non-executive directors) and their immediate family members have been classified as key management personnel of the company.

The company has paid Rs. 9,672,400/- (2021/2022 - Rs. 7,500,000/-) to the directors as emoluments, of which all comprise short-term employment benefits and no post-employment benefits have been paid during the year (2021/2022 – Nil). There are no direct transactions, arrangements and agreements involving key management personnel of the company other than those 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 2023 is Rs. 49,875,236/- (2021/2022 - Rs. 30,000,000/-).

38.3 OTHER RELATED PARTY TRANSACTIONS

The following transactions have been carried out with related parties during the year ended 31st March 2023.

38.3.1 RECURRENT RELATED PARTY TRANSACTIONS

Company	Relationship	Nature of transactions	Aggregate value of related party transactions entered into during the financial year 2023 Rs.	Aggregate value of related party transactions as a % of gross revenue/ income	Terms and conditions of the related party transactions
Janashakthi Insurance PLC	Affiliate	Insurance policies for staff	(21,287,246)	-1.91%	As per the insurance policies
		Insurance policies for customers	(9,152,800)	-0.82%	As per the insurance policies
		Rent and electricity bills of Trinco and Kilinochchi branches	(3,335,223)	-0.30%	As per the rent agreements
		Rent income received	1,832,129	0.16%	As per the agreements
Janashakthi Corporate Services Limited	Affiliate	Payment for secretarial work	(714,000)	-0.02%	As per the agreements
KHL Corporate Services Limited	Affiliate	Payment for secretarial work	(170,000)	-0.02%	As per the agreements
First Capital Holding PLC	Affiliate	Reimbursement of diesel cost of generators	(545,897)	-0.05%	As per the agreements
Janashakthi Limited	Parent	Corporate guarantee fee/payment for HR system	(1,326,193)	-0.12%	As per the agreements

39. CAPITAL COMMITMENTS

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

40. CONTINGENT LIABILITIES

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

The Inland Revenue Department has issued assessments for Value Added Tax on Financial Services, Nation Building Tax on Financial Services and Value Added Tax amounting to Rs. 148,885,573/- (including penalties of Rs. 83,635,837/-) and the Board of Directors is confident that there will not be any additional tax liability on that.

41. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under note No.29 to the financial statements.

Funding Institution	Nature of assets	Nature of liability	Balance outstanding as at 31st March 2023	Value of assets pledged (Rs.)	Included under
Bank of Ceylon	Lease Receivable	POD	41,073,638	66,500,000	Future Rental Receivable
Cargills Bank PLC	Lien over Savings Account Balance	POD	687,646	50,000,000	Lien over Savings A/C Balance
Commercial Bank of Ceylon PLC	Lease Receivable	POD	70,574,294	253,500,000	Future Rental Receivable
DFCC Bank PLC	Lease Receivable	POD	854,615	97,500,000	Future Rental Receivable
Hatton National Bank PLC	Lease Receivable	POD	46,946,848	65,000,000	Future Rental Receivable
National Development Bank PLC	Lease Receivable	POD	2,865,727	37,500,000	Future Rental Receivable
People's Bank	Lease Receivable	POD	1,657,550	93,750,000	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	POD	72,631,900	112,500,000	Future Rental Receivable
Seylan Bank PLC	Lease Receivable	POD	3,554,020	97,750,000	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	POD	-	31,250,000	Future Lease Receivable
Cargills Bank PLC	Lease Receivable	Short Term Revolving	22,934,628	32,639,998	Future Rental Receivable
Pan Asia Banking Corporation PLC	Lease Receivable	Short Term Revolving	200,000,000	250,000,000	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	Short Term Revolving	100,000,000	150,000,000	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	Money Market Loan	200,000,000	250,000,000	Future Rental Receivable
Bank of Ceylon	Lease Receivable	Term Loan	438,999,980	583,869,973	Future Rental Receivable
Cargills Bank PLC	Lease Receivable	Term Loan	97,222,232	131,250,013	Future Rental Receivable
Hatton National Bank PLC	Lease Receivable	Term Loan	374,000,000	486,200,000	Future Rental Receivable
National Development Bank PLC	Lease Receivable	Term Loan	400,000,000	600,000,000	Future Rental Receivable
Sampath Bank PLC	Lease Receivable	Term Loan	333,280,000	499,920,000	Future Rental Receivable
Sanasa Development Bank	Lease Receivable	Term Loan	11,399,374	-	Future Rental Receivable
Union Bank of Colombo PLC	Lease Receivable	Term Loan	415,538,012	519,422,515	Future Rental Receivable

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

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

42. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

43. PENALTIES IMPOSED BY THE CENTRAL BANK OF SRI LANKA

The company will not be subject to any penalties imposed by Central Bank of Sri lanka for the period.

44. COMPARATIVE INFORMATION

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

45. DIRECTORS' RESPONSIBILITY

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

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

The number of employees of the company as at 31st March 2023 is 487 (2022-495).

47. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets - fair value through other comprehensive income				
Government securities	1,251,863,131	-	-	1,251,863,131
Investments in unquoted shares	-	230,600	-	230,600
Investments in quoted shares	10,820,000	-	-	10,820,000
	1,262,683,131	230,600	-	1,262,913,731

48. FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTIZED COST

The following table summarises the carrying amounts and the company's estimate of fair values of those financial assets and liabilities not presented in the company's statement of financial position at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values in the table below may be different from the actual amounts that will be received/ paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions which are not observable in the market.

As at 31st March	2023		2022	
	Carrying Value (Rs.)	Fair Value (Rs.)	Carrying Value (Rs.)	Fair Value (Rs.)
ASSETS				
Cash and cash equivalents	307,893,891	307,893,891	296,439,735	296,439,735
Loans and receivables to customers	12,941,011,251	12,941,011,251	14,125,811,999	14,125,811,999
Investments with banks and other financial institutions	236,013,310	236,013,310	242,460,738	242,460,738
	13,484,918,452	13,484,918,452	14,664,712,472	14,664,712,472
LIABILITIES				
Bank overdrafts	240,846,238	240,846,238	680,571,641	680,571,641
Deposits from customers	10,759,498,577	10,759,498,577	9,204,263,013	9,204,263,013
Interest bearing borrowings	2,606,632,095	2,606,632,095	3,874,859,251	3,874,859,251
	13,606,976,910	13,606,976,910	13,759,693,905	13,759,693,905

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

CASH AND CASH EQUIVALENTS

The carrying amounts of cash and cash equivalents, approximate their fair value as they 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. 12,941,011,250/-.

BANK OVERDRAFTS

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

DEPOSITS FROM CUSTOMERS

More than 78% of the customer deposits have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre-mature uplift. Amounts paid to customers in the event of pre-mature uplift would not be materially different to its carrying value as at the reporting date. Therefore, fair value of customer deposits approximates their carrying value as at the reporting date.

INTEREST BEARING BORROWINGS

Interest bearing borrowings include only floating rate borrowings. The carrying value of the floating rate borrowings approximates their fair values as at the reporting date.

49. FINANCIAL RISK MANAGEMENT

Risk is the most important factor considered in the strategic decision making process at Orient Finance PLC. Therefore, all possible risks are properly evaluated before taking any strategic or operational decision and the best options which minimise the risk are chosen. Risk management framework of the company is discussed in detail in this report. The major categories of financial risks are:

1 Credit risk

2 Liquidity risk

3 Operational risk

4 Market Risk

49.1 CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans and advances to customers. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposures (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 requirement.

II Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by the company's credit committee or the Board of Directors as appropriate

III Reviewing and assessing credit risk - the company's credit division assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process

IV Limiting concentrations of exposure to counterparties, geographies and industries

V Providing advice, guidance and specialised skills to business units to promote best practices throughout the company in the management of credit risk

VI The Company conducted an indept analysis on the probable customers who would get affected and the scale of impact it may have on the company's lending portfolio due to the prevailing macroeconomic uncertainty and the related impacts to our customer's on account of elevated inflation and interest rates. The company manages this by diversifying the lending portfolio across a wide range of product and customer segments which in turn would ensure the resilience of the company in an economic shock of this nature. The company is comforable with the existing composition of its loan portfolio and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky segments.

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

As at 31st March	2023	2022
Loans and advance to customers	Rs.	Rs.
Carrying amount at amortised cost		
Individually significant impaired loans and advances (Note 49.1.1)	**3,014,021,488**	3,142,569,589
Unimpaired loans and advances (Note 49.1.2)	**10,966,509,940**	11,213,499,828
	13,980,531,428	14,356,069,417

49.1.1 INDIVIDUALLY SIGNIFICANT IMPAIRED LOANS AND ADVANCES

As at 31st March	2023	2022
	Rs.	Rs.
Gross receivable	**3,014,021,488**	3,382,251,486
Allowance for impairment	**(697,035,020)**	(469,939,315)
Individually significant impaired loans and advances	**2,316,986,468**	2,912,312,171

49.1.2 UNIMPAIRED LOANS AND ADVANCES

As at 31st March	2023 Rs.	2022 Rs.
Gross receivable	**10,966,509,940**	11,680,056,899
Allowance for collective impairment	**(342,485,157)**	(466,557,071)
Carrying amount of unimpaired loan advances	**10,624,024,783**	11,213,499,828

WRITE-OFF POLICY

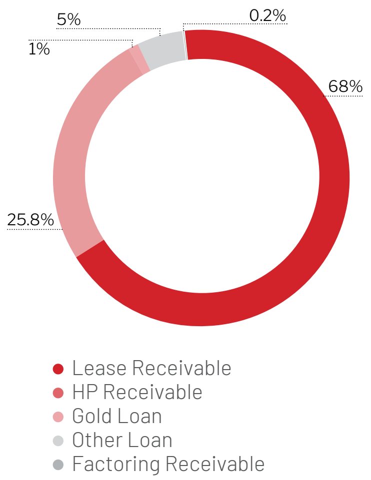
The company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the company's recovery division determines that the loan or security is uncollectible. This determination is made after considering the information such as the occurrence of significant changes in the borrower's/issuer's financial position so that the borrower/issuer can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

CONCENTRATION OF CREDIT RISK

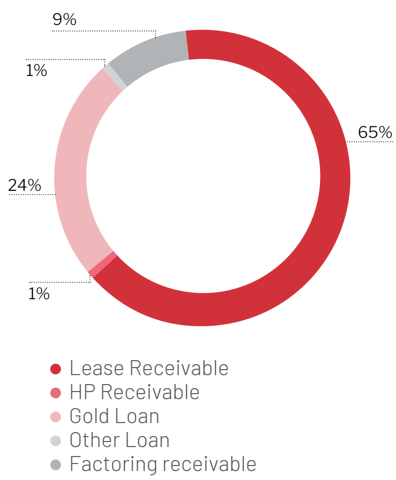
The company monitors concentrations of credit risk by sector and by geographic location.

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

PRODUCT CONCENTRATION 2023



PRODUCT CONCENTRATION 2022



49.1.3 COLLATERAL AND OTHER CREDIT ENHANCEMENT

The table below provides an analysis of the current fair values of collateral held and credit enhancements for stage 1 to 3 assets. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by CBSL.

As at March 2023		Fair Value of Collateral under base case scenario				
	Maximum Exposure to Credit risk	Immovable Collateral	Movable Collateral	Total Collateral	Net Exposure	Associated ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stage 01	**10,505,453,741**	**76,125,000**	**820,000**	**76,945,000**	**10,428,508,741**	**163,146,941**
Stage 02	**2,052,707,977**	**113,825,000**	**15,720,000**	**129,545,000**	**1,923,162,977**	**201,704,099**
Stage 03	**1,422,369,711**	**178,247,000**	**55,780,000**	**234,027,000**	**1,188,342,711**	**674,669,137**
	13,980,531,429	**368,197,000**	**72,320,000**	**440,517,000**	**13,540,014,429**	**1,039,520,177**

As at March 2022		Fair Value of Collateral under base case scenario				
	Maximum Exposure to Credit risk	Immovable Collateral	Movable Collateral	Total Collateral	Net Exposure	Associated ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stage 01	6,942,274,198	-	-	-	6,942,274,198	227,858,576
Stage 02	1,345,948,289	-	-	-	1,345,948,289	195,107,722
Stage 03	6,774,085,897	516,092,252	1,352,478,000	1,868,570,252	4,905,515,645	513,530,088
	15,062,308,384	516,092,252	1,352,478,000	1,868,570,252	13,193,738,132	936,496,386

49.2 LIQUIDITY RISK

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

MANAGEMENT OF LIQUIDITY RISK

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

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

49.2 LIQUIDITY RISK (CONTD..)

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 submits a monthly summary to the Board.

The company relies on deposits from customers and bank borrowings as its primary sources of funding. While the company's debt securities and subordinated liabilities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the company's liquidity risk and the company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends and maintaining unutilised credit lines.

EXPOSURE TO LIQUIDITY RISK

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the following month. A similar, but not identical, calculation is used to measure the company's compliance with the liquidity limit established by the company's lead regulator, CBSL. Details of the reported company ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

As at 31 March	2023 (Rs.)	2022 (Rs.)
Time deposits	10,700,736,645	9,150,223,285
Savings deposits	58,761,932	54,039,728
Unsecured borrowings	14,849,000	169,948,000
Available liquid assets	1,289,395,810	1,214,833,366
Cash in hand	222,627,839	230,339,894
Balances in current accounts (favourable)	22,985,104	66,099,841
Deposits in commercial banks	207,581,915	242,460,738
Approved securities	836,200,953	675,932,893
Average month-end deposit liabilities	8,854,195,051	8,764,188,000
Average month-end outstanding borrowings	68,750,000	20,930,000
Total of average month-end deposit liabilities and outstanding borrowings (Note 01)	8,922,945,051	8,785,118,000
Required minimum amount of liquid assets	1,080,372,854	940,123,088
10% of fixed deposits	1,070,073,665	915,022,329
15% of savings deposits	8,814,290	8,105,959
10% of unsecured borrowings	1,484,900	16,994,800
Required minimum amount of approved securities	669,220,879	658,883,850

Note 01:- Period 01/04/2022 to 31/03/2023, 7.5% of total of average month-end deposit liabilities and outstanding borrowings

49. FINANCIAL RISK MANAGEMENT (CONTD..)

MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Contractual maturity of the assets and the liabilities of the company is disclosed in Note 37 to the financial statements.

To manage the liquidity risk arising from financial liabilities, the company holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

49.3 OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

CAPITAL MANAGEMENT

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

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

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

Total Capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains/losses on equity instruments measured at fair value through other comprehensive income.

According to these regulations, the minimum capital requirement under Tier 1 Capital Adequacy Ratio is 8.50% of the total risk weighted assets and Total Capital Adequacy Ratio is 12.50% of the total risk weighted assets.

The company's Capital Adequacy Ratios as at 31st March 2023 were 15.50% (2022 - 14.38%) and 16.58% (2022 - 15.38%) for Total Capital and Tier 1 Capital respectively.

49.4 MARKET RISK

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. As the company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk to the company.

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

Market risk is identified by the company as the possibility of loss to the company caused by changes in the market variables. Market risk mainly includes interest rate risk, liquidity risk, foreign exchange risk and country risk.

49.4.1 INTEREST RATE RISK

Interest rate risk is the potential negative impact on the net interest income based on rate fluctuations and impact on the profitability of the company. The movements in interest rates are exposed to fluctuations in Net Interest Income (NII) and have the potential to impact the underlying value of interest earning assets and interest-bearing liabilities and off-balance sheet items. The main types of IRR to which the company is exposed to are repricing risk, yield curve risk and basis risk. The company does not have variable interest rates and all facilities granted are on fixed interest rates. The global outbreak of the COVID-19 pandemic has resulted in consecutive reductions in policy rates and monetary easing policies by the Central Bank of Sri Lanka to encourage banks and finance companies to reduce the 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 37 to the financial statements for the maturity analysis.

RE-INVESTMENT RISK

These are uncertainties with regard to the interest rate at which the future cash flows could be re-invested. On an increasing trend, this would be beneficial for the company.

NET INTEREST POSITION

When the market rates are on a downward trend and the company's earning assets are higher than its liabilities, the risk of net interest position falling is high.

49.4.2 LIQUIDITY RISK

Liquidity is the ability to efficiently accommodate deposits as reduction in liabilities as well and to fund the loan growth and possible funding of the off-balance sheet claims. Liquidity risk arises through maturity mismatch of loans and deposits.

The company considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of company-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of prevailing macroeconomic uncertainty.

49.4.3 FOREIGN EXCHANGE (FOREX) AND COUNTRY RISK

FOREX is the risk that finance companies may suffer loss as a result of adverse exchange rate movements. Country risk is the risk that arises due to cross border transactions. The uncertainty caused by the prevailing economic crisis 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 Zoom Video Communications licensing fee and payment to Refinitive - World Check One, the company concludes that negative impact on prevailing economic crisis will not be 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.

KOI FISH

IN JAPANESE AND CHINESE CULTURES, THE KOI FISH SYMBOLIZES COURAGE, STRENGTH, AND PERSEVERANCE IN THE FACE OF ADVERSITY. SIMILARLY, ORIENT FINANCE PLC HAS DEMONSTRATED REMARKABLE RESILIENCE AMIDST THE CURRENT ECONOMIC TURMOIL AND VOLATILITY.

Annexes

TEN YEAR ACHIEVEMENTS

For the year ended 31st March	2023	2,022	2,021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Operating Results				
Income	**3,820,227.39**	2,972,209	2,675,722	3,285,237.56
Interest Income	**3,593,058.85**	2,709,169	2,441,044	3,052,677.80
Interest Expenses	**(2,600,022.60)**	(1,159,467)	(1,333,792)	(1,799,707.84)
Net Interest Income	**993,036.26**	1,549,702	1,107,252	1,252,969.95
Operating Expenses & Provisions	**(1,289,770.47)**	(1,359,745)	(1,148,367)	(1,922,876.80)
Profit Before Income Tax	**(69,565.67)**	452,997	193,563	(437,347.08)
Income Tax on Profit	**(2,479.94)**	-	-	-
Profit for the year	**(72,045.61)**	452,997	193,563	(437,347.08)
Balance Sheet Information				
Assets				
Loans & Advances to Customers	**12,941,011.25**	14,125,812	11,447,030	12,339,298.07
Financial Investments - Held to Maturity	**-**	-	-	-
Financial Investments - Available for Sale	**1,262,913.73**	725,705	849,633	934,478.09
Cash and Cash Equivalents	**307,893.89**	296,440	225,162	70,618.41
Property, Plant & Equipment and Investment Assets	**761,049.88**	746,656	740,469	613,430.80
Other Assets	**2,196,004.53**	1,832,633	1,626,626	1,679,713.00
Total Assets	**17,468,873.29**	17,727,246.00	14,888,919	15,637,538.37
Liabilities				
Deposits from Customers	**10,759,498.58**	9,204,263	8,692,941	9,020,632.23
Borrowings	**2,847,478.33**	4,555,431	2,729,981	3,038,038.30
Debentures and Preference Shares		-	-	-
Other Liabilities	**580,890.21**	635,672	579,067	868,655.00
Total Liabilities	**14,187,867.12**	14,395,366.80	12,001,989	12,927,325.53
Capital Employed				
Stated Capital	**2,431,879.04**	2,431,879	2,431,879	2,431,879.04
Retained Profit & Reserve Fund	**849,127.13**	900,000	455,051	278,330.96
Total Capital Employed	**3,281,006.17**	3,331,879.00	2,886,930	2,710,210.00

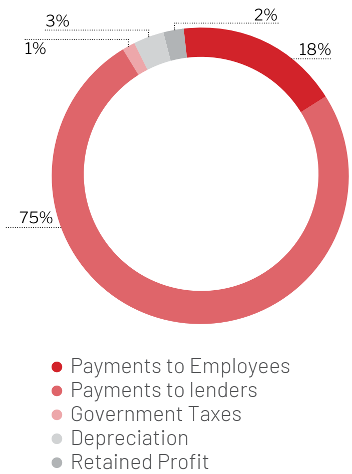
RATIOS AND RELATED INFORMATION

Operating Ratios				
ROE	**-2.18%**	14.57%	6.92%	-17.94%
ROA- Before Tax	**-0.40%**	2.78%	1.27%	-2.65%
Gross Profit Margin	**25.99%**	52.14%	41.38%	38.14%
Net Profit Margin	**-1.89%**	15.24%	7.23%	-13.31%
Income Growth	**28.53%**	11.08%	-18.55%	-5.96%
Profit Growth	**-116%**	134%	-144%	-1606.59%
Assets Growth	**-1.46%**	19.06%	-4.79%	-9.92%
Net Assets Growth	**-1.53%**	15.41%	6.52%	25.10%
Investor Ratios				
Basic earnings per share - (Rs.)	**(0.34)**	2.15	0.92	-306.00%
Net assets value per share - (Rs.)	**15.54**	15.78	13.68	1283.84%
Dividend per share - (Rs.)	**-**	-	-	0.00%
Dividend Cover - Times	**N/A**	N/A	N/A	N/A
Dividend Payout ratio	**0.00%**	0.00%	0.00%	-

2019	2018	2017	2016	2015	2014
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs.'000	Rs.'000
3,493,414.00	3,496,108.85	3,309,736.00	2,363,152.00	1,362,664.43	1,605,009.72
3,239,038.00	3,311,048.57	3,128,709.00	2,229,746.00	1,283,086.65	1,465,702.87
(1,949,919.00)	(2,116,906.56)	(1,836,496.00)	(1,096,453.00)	(805,279.23)	(1,039,248.30)
1,289,119.00	1,194,142.02	1,292,213.00	1,133,293.00	477,807.42	426,454.58
(1,511,619.00)	(1,482,920.06)	(1,171,760.00)	(970,838.25)	(553,203.39)	(495,380.14)
31,875.00	(103,717.76)	301,479.00	295,861.00	4,181.81	70,381.28
(2,846.00)	(6,528.00)	(43,803.00)	311,012.00	-	(13,014.30)
29,029.00	(110,246.00)	257,676.00	606,873.00	4,181.81	57,366.99
14,033,760.00	14,504,333.75	16,416,103.00	13,839,304.12	4,987,749.00	5,615,826.47
-	-	-	-	-	1,165,132.75
936,940.00	945,559.44	839,887.00	756,124.10	592,105.00	11,120.00
181,742.00	195,581.11	107,894.00	231,678.00	194,035.45	200,985.28
478,764.00	415,618.08	421,315.00	438,736.12	446,863.82	533,064.25
1,728,438.00	2,054,601.57	1,664,830.00	1,846,840.04	585,231.00	334,015.36
17,359,644.00	18,115,693.96	19,450,029.00	17,112,682.38	6,805,984.27	7,860,144.10
10,479,531.00	11,852,625.03	9,565,559.00	9,249,312.39	5,746,847.00	6,463,960.24
2,091,869.00	1,806,789.94	4,815,150.00	3,262,737.55	31,760.00	378,751.01
1,524,483.00	1,454,471.05	1,392,671.00	1,176,912.87	204,000.00	204,000.00
1,097,261.00	653,390.40	1,176,922.00	1,180,738.35	253,377.44	252,019.62
15,193,144.00	15,767,276.43	16,950,302.00	14,869,701.16	6,235,984.44	7,298,730.87
1,378,689.78	1,378,689.78	1,378,689.78	1,378,689.78	306,025.00	306,024.99
787,810.22	969,727.75	1,121,037.22	864,291.19	263,974.13	255,388.24
2,166,500.00	2,348,417.53	2,499,727.00	2,242,980.97	569,999.13	561,413.23
1.29%	-4.53%	10.87%	43.15%	0.74%	10.77%
0.18%	-0.55%	1.65%	2.47%	0.06%	0.90%
36.90%	34.16%	39.04%	47.96%	35.06%	26.57%
0.83%	-3.14%	7.79%	25.68%	0.31%	3.57%
-0.08%	5.63%	40.06%	73.42%	-15.10%	3.40%
-126.33%	-142.64%	-57.54%	14412.19%	-92.71%	659.63%
-4.17%	-6.86%	13.66%	151.44%	-13.41%	2.04%
-7.75%	-6.05%	11.45%	293.51%	1.53%	11.38%
20.00%	-74.23%	174.00%	700.00%	5.00%	750.00%
1463.67%	1586.57%	1688.80%	1515.00%	745.00%	7338.00%
0.00%	25.00%	0.00%	-	-	-
N/A	N/A	N/A	N/A	N/A	N/A
-	-33.68%	-	-	-	-

STATEMENT OF VALUE ADDED

		Year 2023 Rs. Mn	Year 2022 Rs. Mn
Income	Gross Value added	**3,820.00**	2,972.00
	Cost of services	**(399.90)**	(401.00)
	Provision for Impairment Losses	**(103.00)**	(125.00)
		3,317.10	2,447.00
Value Allocated			
Payments to lenders	Interest Expenses	**2,600.00**	1,187.00
Payments to Employees	Employee Salaries and benefits	**621.00**	605.00
Dividends to shareholders	Dividends	**-**	-
Government Taxes	Tax payments	**50.10**	156.00
Depreciation	Operation cost	**118.00**	45.00
Retained Profit	Value creation retained	**(72.00)**	453.00
		3,317.10	2,447.00



SHARE INFORMATION

2. SHARE INFORMATION

Range	As at 31st March 2023			As at 31st March 2022		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1-1000	**552**	**104,156**	**0.050**	486	86,526	0.04
1,001 - 10,000	**188**	**754,397**	**0.36**	163	714,214	0.34
10,001 – 100,000	**103**	**3,335,147**	**1.55**	108	3,701,875	1.75
100,001 – 1,000,000	**26**	**8,264,719**	**3.51**	30	8,449,747	4.00
Over 1,000,000	**5**	**198,642,736**	**94.53**	4	198,148,793	93.86
Total	**874**	**211,101,155**	**100.000**	791	211,101,155	100.00

ANALYSIS OF SHARE HOLDERS

As at 31st March	2023		2022	
	No of Shares	% of Shares	No of Shares	% of Shares
Residents	**210,121,680**	**99.540**	210,737,406	99.82
Non-Residents	**979,475**	**0.460**	363,749	0.17

PUBLIC HOLDING

Public Holding as at 31st March 2023 - 12,952,342

Number of Public Shareholders as at 31st March 2022 is 874

Public Holding of issued number of shares as at 31st March 2023 is 6.14% Float adjusted market capitalisation (Rs) 115,358,337

3. SHARE PRICE INFORMATION

	2023 (Rs)	2022 (Rs)
Highest	**9.2**	22.50
Lowest	**7.1**	12.00
Close	**8.9**	13.00

4. INVESTOR RATIOS

	2023 (Rs)	2022 (Rs)
Book Value	**15.54**	15.78
EPS	**(0.34)**	2.15
Price Earnings Ratio	**-**	5.36

SHARE INFORMATION

5. DIRECTORS INTEREST IN SHARES

	2023	2022
Mr. Rajendra Thegarajah	-	-
Mr. Prakash Anand Schaffter	10	10
Ms. Minette D. A. Perera	-	-
Ms. Indrani Goonesekara	-	-
Mr. Sriyan Cooray	-	-
Mr. K.M.M. Jabir	-	-
Mr. R.M.D.J. Ratnayake	-	-
Mr. Nalin B. Karunarathne	-	-
	10	10

6. CHIEF EXECUTIVE OFFICER'S /DIRECTOR SHAREHOLDING

	2023	2022
Mr. K.M.M. Jabir	-	-

7. TOP 25 SHAREHOLDERS AS AT 31ST MARCH 2023

	No. of Shares	%
Janashakthi LTD Account No.1	93,644,438	44.360
Seylan Bank PLC/Janashakthi PLC (Collateral)	90,000,000	42.634
Seylan Bank PLC/Janashakthi Capital Ltd	11,810,999	5.595
First Capital Limited	2,138,299	1.013
DFCC Bank PLC/G.A.C. De Silva	1,049,000	0.497
Sandwave Limited	908,795	0.431
Mr. A. Rajaratnam	704,183	0.334
Merchant Bank Of Sri Lanka & Finance PLC/S.A.A. Hasitha	680,000	0.322
Commercial Bank of Ceylon PLC/Janashakthi Limited	555,057	0.263
Mr. R.A.B.K. Kumara	500,000	0.237
Hatton National Bank PLC/Mushtaq Mohamed Fuad	450,200	0.213
Mrs. I.P.I.L. Gunathilaka	406,750	0.193
Mr. R.M. Hindurangala	389,702	0.185
LOLC Finance PLC/V.S.Rajasooriyar	375,000	0.178
Mr. L.P. Mendis	358,695	0.170
Mrs. V. Saraswathi	347,024	0.164
Commercial Bank of Ceylon PLC/D.Ramachandran	300,000	0.142
Hatton National Bank PLC/Koralagodage Don Sahan Rachitra Kulatunga & Mrs. Oshadhini Upulika Kumari Jayasundara	282,462	0.134
Seylan Bank PLC/Haloluwa Gedara Nilupul Gamini Haloluwa	246,886	0.117
Seylan Bank PLC/Mohamed Mushtaq Fuad	230,000	0.109
Mr. M.K. De Livera	207,629	0.098
Mr. P. Ramachandran	200,000	0.095
Miss. H.M.D.A. Wijayawardena	147,850	0.070
Mr. G.P.P. Abeywickrama	142,950	0.068
Mr. K.D.A. Weerasinghe	133,400	0.063
Others	4,891,836	2.317
Total	211,101,155	100.000

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

ACCRUAL BASIS

The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

AMORTIZATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AVAILABLE FOR SALE (AFS)

Non-derivative financial assets that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

CAPITAL ADEQUACY RATIO

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka.

CAPITAL RESERVES

Reserves identified for specific purposes and considered not available for distribution.

CASH EQUIVALENTS

Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

SOLELY PAYMENTS OF PRINCIPAL AND INTEREST TEST (SPPI)

Classification decision for non-equity financial assets under SLFRS

EXPECTED CREDIT LOSSES (ECL)

Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument.

12 MONTHS EXPECTED CREDIT LOSSES (12MECL)

The portion of life time expected credit losses that represent the expected credit losses resulting from default events of a financial instrument that are possible within 12 months after the reporting date.

LIFE TIME EXPECTED CREDIT LOSS (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

EXPOSURE AT DEFAULT (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

EXPOSURE AT CLAIM

Contingent claim or position which carries a risk of financial loss.

CONTINGENCIES

A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

CORPORATE GOVERNANCE

The process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

CREDIT RATING

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

CREDIT RISK

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

DEFERRED TAXATION

Sum set aside for tax in the financial statements that may become payable / receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

Removal of a previously recognised financial asset or liability from an entity's statement of financial position.

GLOSSARY OF FINANCIAL TERMS

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.

MARKET RISK

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises of currency risk, interest rate risk and other price risk.

NET ASSET VALUE PER ORDINARY SHARE

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between interest income earned from interest earning assets and interest expenses incurred on interest bearing liabilities.

NON-PERFORMING ADVANCES

Loans and advances of which rentals are in arrears for six months or more.

NPL RATIO

Total non-performing loans as a percentage of the total lending portfolio.

PARENT

A parent is an entity that has one or more subsidiaries.

PAST DUE

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

RELATED PARTY

Parties have the ability to control or exert a significant influence over the company's financial and operating decisions.

RELATED PARTY TRANSACTIONS

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

RETURN ON AVERAGE ASSETS (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

RETURN ON AVERAGE EQUITY (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average ordinary shareholders' equity.

REVERSE REPURCHASE AGREEMENT

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

RISK WEIGHTED ASSETS

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

SEGMENTAL ANALYSIS

Analysis of financial information by segments of an organisation specifically, the different industries and the different business lines in which it operates.

SHAREHOLDERS' FUNDS (EQUITY)

Total of issued and fully paid ordinary share capital and capital and revenue reserves attributable to ordinary shareholders.

SUSTAINABILITY REPORT

Sustainability reporting is a practice of measuring, disclosing, and being accountable for organisational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organisation.

TIER I CAPITAL

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

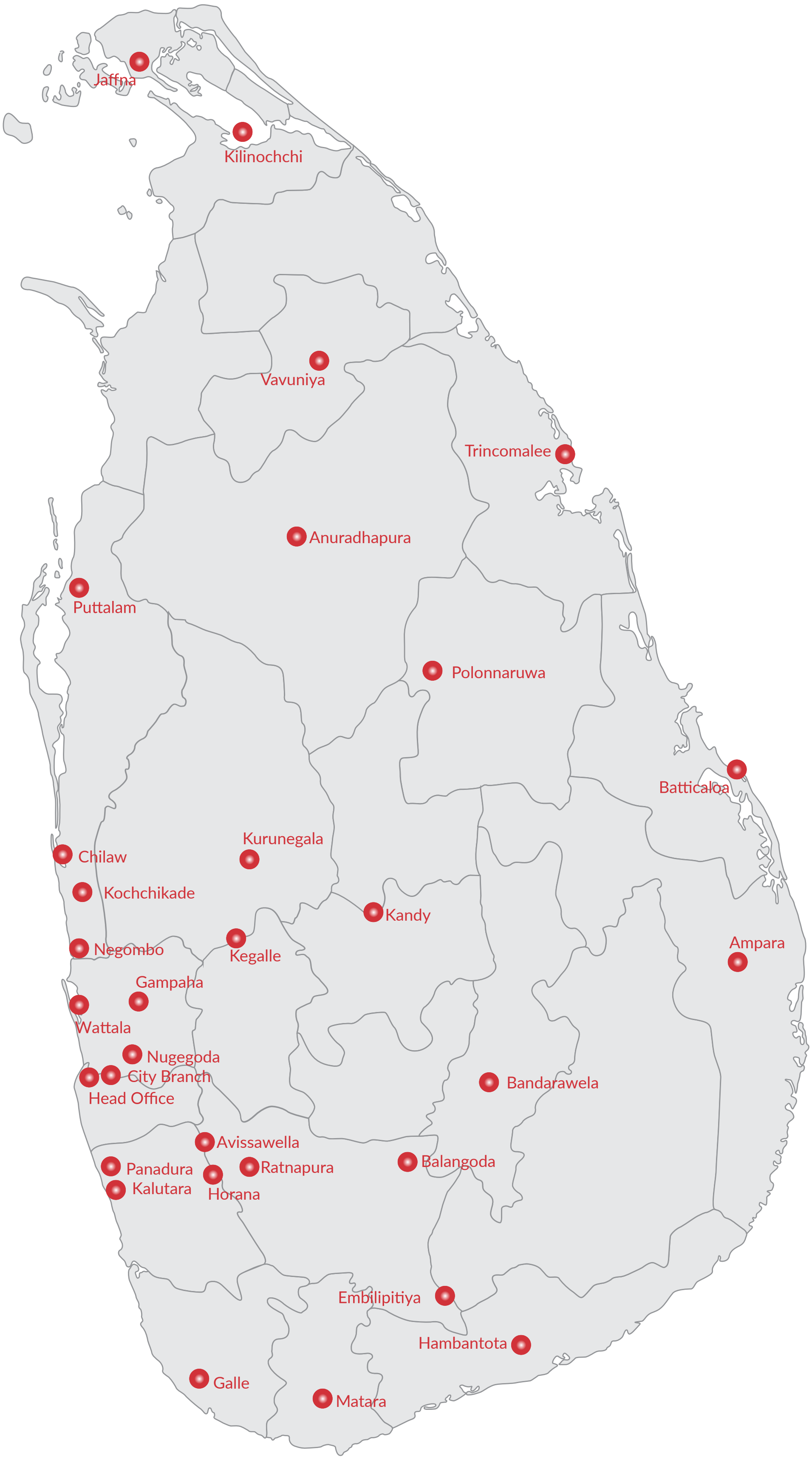
TOTAL CAPITAL

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debts, such as unsecured subordinate term debts and other hybrid capital instruments.

VALUE ADDED

Value of wealth created by providing financial and other related services less the cost of providing such services.

BRANCH NETWORK



HEAD OFFICE & BRANCHES ADDRESS DETAILS

Branch	Address	Contact No	E-mail
Head Office	61, Dharmapala Mawatha, Colombo 07	Tel : +94 117 577 577 Fax : +94 117 577 551	raveendra@orient.lk
Nugegoda/ Corporate Office	19, Railway Avenue, Nugegoda	Tel : +94 117 577 577 Fax : +94 117 577 551	info@orient.lk
City Branch	53A, D.S. Senanayake Mawatha, Colombo 08	Tel : +94 117 677 601 Fax : +94 117 577 593	manojd@orient.lk
Ampara	01, D.S. Senanayake Road, Ampara	Tel : +94 637 577571 Fax :	dhanushkag@orient.lk
Anuradhapura	561/3, Maithreepala Senanayaka Mawatha, New Town, Anuradhapura	Tel : +94 257 577571 Fax :	masoordeen@orient.lk
Balangoda	80/A, Barns Rathwatta Mawatha, Balangoda	Tel : +94 457577571 Fax :	lakmalm@orient.lk
Bandarawela	374, Badulla Road, Bandarawela	Tel : +94 577577571 Fax :	surangar@orient.lk
Batticaloa	No. 290, Trinco Road , Batticaloa	Tel : +94 657 577571 Fax :	zakee@orient.lk
Embilipitiya	No. 77/1, New Town Road, Pallegama, Embilipitiya	Tel : +94 477577571 Fax :	vinodc@orient.lk
Galle	60/B, Colombo Road, Kaluwella, Road, Galle	Tel : +94 917577571 Fax :	thushan@orient.lk
Gampaha	11, Ranathunga Road, Gampaha	Tel : +94 337 577571 Fax :	anilg@orient.lk
Hambantota	No. 103, Tissa Road, Hambanthota	Tel : +94 477 577551 Fax :	thilinak@orient.lk
Horana	254, Panadura Road, Horana	Tel : +94 347 577571 Fax :	nalink@orient.lk
Jaffna	306/A, Hospital Road, Jaffna	Tel : +94 217 577571 Fax :	nirmalakanth@oreint.lk
Kalutara	294/A, Galle Road, Kalutara North, Kalutara	Tel : +94 347 577551 Fax :	nalind@orient.lk

BRANCH NETWORK

Branch	Address	Contact No	E-mail
Kandy	319, D. S. Senanayake Veediya, Kandy	Tel : +94 817 577571 Fax :	sanath@orient.lk
Kegalle	218, Main Street, Kegalle	Tel : +94 357 577571 Fax :	sisitha@orient.lk
Kochchikade	162/4, Chilaw Road, Kochchikade	Tel : +94 317 577571 Fax :	wajira@orient.lk
Kurunegala	16, ST. Anne's Street, Kurunegala	Tel : +94 377 577571 Fax :	roshanm@orient.lk
Matara	38, Station Road, Matara	Tel : +94 417 577571 Fax :	indikar@orient.lk
Negombo	38, St. Joseph Street, Negombo	Tel : +94 317 577551 Fax :	sanjeewaj@orient.lk
Panadura	05, Cyril Janz Mawatha, Panadura	Tel : +94 387 577571 Fax :	madurangag@orient.lk
Polonnaruwa	13/2, Hospital Junction, Polonnaruwa	Tel : +94 277 577571 Fax :	sisira@orient.lk
Rathnapura	172, Main Street, Rathnapura	Tel : +94 457 577551 Fax :	chathurap@orient.lk
Trincomalee	No. 321, North Cross Street, Trincomalee	Tel : +94 267 577571 Fax :	arshadm@orient.lk
Vavuniya	115, Kandy Road, Vavuniya	Tel : +94 247 577571 Fax :	thusyanthan@orient.lk
Wattala	No. 460, Negombo Road, Wattala	Tel : +94 117 566271 Fax :	brian@orient.lk
Avissawella	20, Ratnapura Road, Avissawella	Tel : +94367577571 Fax :	upul@orient.lk
Chilaw	3B, Bazzar Street, Chilaw	Tel : +94327577571	kasunj@orient.lk
Kilinochchi	A9, Jaffna Road, Kilinochchi	Tel : +94 217 577551	niluksan@orient.lk
Nugegoda	19, Railway Avenue, Nugegoda	Tel : +94117577671	gayand@orient .lk
Puttalam	No. 116, opposite base hospital, Kurunegala Road, Puttalam	Tel : +94 327577551	chathurangal@orient.lk

NOTICE OF MEETING

Notice is hereby given that the 40th Annual General Meeting of Orient Finance PLC will be held as a virtual meeting on Tuesday, 29th August 2023 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 2023 together with the report of the Auditors thereon.
2. To re-elect Mr. Darshana Ratnayake, 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-elect Mr. Prakash Schaffter, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company and offers himself for re-election.
4. 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.
5. To re-appoint Messrs. BDO Partners, Chartered Accountants as Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine and make donations.

By Order of the Board

Janashakthi Corporate Services Limited
Secretaries

08 August 2023

NOTES:

1. The Shareholders are requested to register with their first names and last names via the below link before 4.00 p.m., on Friday, 25th August 2023, to receive the link to join the AGM. The same names should be used to log in to participate in the AGM on 29th August 2023.

   https://orientfinance.lk/AGM-2023-Registration
2. A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her.
3. A Proxy need not be a member of the Company.
4. A Form of Proxy is enclosed for this purpose.
5. The completed Form of Proxy must be forwarded by email to *secretaries@jcsl.lk*, fax to +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of the Company Secretaries, Janashakthi Corporate Services Limited, No.15, Walukarama Road, Colombo 03.

   No registration of proxies will be accommodated after this deadline.
6. Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/ her/its proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

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. Rajendra Theagarajah	failing him	5.	Mr. Sriyan Cooray	failing him
2.	Mr. Prakash Schaffter	failing him	6.	Mr. Darshana Ratnayake	failing him
3.	Ms. Minette Perera	failing her	7.	Mr. Nalin Karunaratne	failing him
4.	Ms. Indrani Goonesekera	failing her	8.	Mr. K. M. M. Jabir	

as my/our Proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held as a virtual meeting on Tuesday, 29th August 2023 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 2023 together with the report of the Auditors thereon	☐	☐
2.	Re-election of Mr. Prakash Schaffter, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company.	☐	☐
3.	Re-election of Mr. Darshana Ratnayake, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company.	☐	☐
4.	Re-election of Mr. Sriyan Cooray, who retires by rotation in terms of Article 25(7) of the Articles of Association of the Company.	☐	☐
5.	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.	☐	☐
6.	To authorise the Directors to determine and make donations.	☐	☐

Signed on this .... day of .... 2023.

Signature/s ....

....

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

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed Form of Proxy must be forwarded to the Company Secretaries by email secretaries@jcsl.lk , fax +94 112372498, WhatsApp to +94 773647178 or directly deposited at the Office of Company Secretaries, Janashakthi Corporate Services Limited, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting.

   No registration of proxies will be accommodated after this deadline.
3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to, require evidence of the authority of any such attorney or officer.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

CORPORATE INFORMATION

NAME OF THE COMPANY

Orient Finance PLC

LEGAL FORM

A public limited liability company incorporated on 24th July 1981 under the Companies ordinance No. 51 of 1938 and was re-registered in terms of the Companies Act No. 07 of 2007 on 27th July 2009.

The Company is registered under the Finance Leasing Act No. 56 of 2000 and Finance Business Act No. 42 of 2011.

COMPANY REGISTRATION NUMBER

PB 1079 PQ (previous PVS/PBS 7651)

TAX PAYER IDENTIFICATION NUMBER

104076513

BOARD OF DIRECTORS

Mr. Rajendra Theagarajah

Mr. Prakash Schaffter

Ms. Minette Perera

Ms. Indrani Goonesekera

Mr. Sriyan Cooray

Mr. Darshana Joseph Ratnayake

Mr. K. M. M. Jabir

Mr. Nalin Karunaratne

STOCK EXCHANGE LISTING

The Company is listed on the Second Board of the Colombo Stock Exchange of Sri Lanka.

REGISTERED OFFICE

No. 02, Deal Place, Colombo 03.
+94 112 639 878
+94 112 639 868

HEAD OFFICE

61, Dharmapala Mawatha, Colombo 07.
+94 117 577 577
+94 117 577 511
www.orientfinance.lk
orientfinance@orient.lk

CORPORATE OFFICE

19, Railway Avenue, Nugegoda.
+94 117 577 577
+94 117 577 511

COMPANY SECRETARY

Janashakthi Corporate Services Limited
No. 02, Deal Place, Colombo 03.
+94 112 145 034

EXTERNAL AUDITORS

BDO Partners, Chartered Accountants,
"Charter House",
65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
+94 112 421 878
+94 112 336 064

BANKERS

Commercial Bank of Ceylon PLC

Bank of Ceylon

NDB Bank PLC

Seylan Bank PLC

Sampath Bank PLC

People's Bank

Nations Trust Bank PLC

Pan Asia Bank PLC

DFCC Bank PLC

CREDIT RATING AGENCY

Lanka Rating Aqency Limited (LRA)

ACCOUNTING YEAR END

31st March

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